

TECHNICAL MEMORANDUM

To: Equitable Housing Project Advisory Team (PAT) and Technical Advisory Team (TAT) Members
From: Elizabeth Decker and Steve Faust, 3J Consulting
CC: Laura Terway and Pete Walter, City of Oregon City
Date: October 17, 2017

Project: Oregon City Equitable Housing Project
RE: Code Audit Report (*Public Review Draft*)

1. INTRODUCTION

The City of Oregon City is interested in understanding the barriers and solutions to facilitating diverse, physically accessible, affordable housing choices within the city with access to opportunities, services and amenities. The Equitable Housing Policy project, initiated in 2017, includes a thorough review of housing-related development standards, policies, fees, and procedures. The project's goal is to make equitable housing more accessible by providing greater flexibility in zoning and development policies, informational materials for homeowners and developers to illustrate review processes, and mapping tools to guide housing development in amenity-rich neighborhoods. The outcome of the project will be a series of amendments to development standards and recommended process improvements that will result in clear paths toward additional housing units within Oregon City.

2. METHODOLOGY

The first step in the Equitable Housing Project is an audit of current regulations, processes, and incentives to identify existing barriers and areas for improvement in current residential development regulations. Audit findings will guide development of regulatory amendments and policy changes in later phases of the project.

The audit process began with review of adopted plans, regulations, policies and internal procedures. Information sources incorporated into this public review draft include:

- Development code, land division standards, and engineering standards;
- Background documents including long-range planning documents;
- Development review procedures including available informational materials for developers;
- Development review fees including permit fees and System Development Charges (SDCs);
- Previous residential land use decisions and development history; and
- Best practices from policy experts and surrounding jurisdictions.

City staff has also provided insight into how regulations and policies work “in the real world” as applied.

This public review draft of the audit incorporates public input from stakeholder interviews with a variety of residential development professionals. The final audit findings will incorporate additional public input from a survey of the development community currently underway, and PAT/TAT review comments at meetings scheduled for October 24. The final audit findings will be released in early November.

3. APPLICABLE PLANS, POLICIES AND REGULATIONS

This audit acknowledges the wide universe of plans, policies, and regulations at federal, state and local levels that impact the availability and affordability of housing choices, with a particular focus on local development regulations that can be analyzed and revised as part of the Equitable Housing Policy project. Those development regulations are designed to implement adopted long-range and housing plans. Plan revisions are generally not recommended at this time based on audit findings; the long-range vision as articulated in adopted plans is in line with providing needed variety of housing units, and the focus for this project is facilitating development of that vision through development regulations.

Long-Range Plans

- *Comprehensive Plan (2004)*. The Comprehensive Plan is the cornerstone document for all land use policies and regulations. The community vision centers around neighborhood-scale development including housing at various densities radiating from neighborhood commercial centers, linked by mixed-use corridors and marked by higher intensity residential development in downtown, close to job centers, and major corridors.
- *Concept Area Plans*. These plans provide a more detailed vision for new neighborhoods added to the City's urban growth boundary to accommodate forecasted population growth. Although specific to the geography and opportunities in each concept area, the three plans include common elements supporting mixed-use development and varied residential opportunities.
 - South End (2014)
 - Beaver Creek Road (2008)
 - Park Place (2008)
- *Oregon City Zoning Map (last updated 9/12/2017)*. The zoning map implements the land use map in the Comprehensive Plan with a greater level of detail; no changes to the zoning map are proposed with this project.
- *Public Works Master Plans*. Infrastructure plans are designed to support development by providing needed services.
 - Water System Master Plan (2012)
 - Transportation System Plan (2013)
 - Sanitary Sewer Master Plan (2014)
 - Stormwater and Grading Design Standards (2015)

Housing Plans

- *Housing Resource Document for the Comprehensive Plan (2002)*. Analysis of existing conditions and future housing needs identified the need for more opportunities to develop multifamily residential development to accommodate the projected population growth, targeting areas such as downtown.
- *Clackamas County Analysis of Impediments to Fair Housing Choice (2012)*. Report documented a general lack of affordable housing across the County, particularly for households making less than 30% of the area median income, and lack of choice for units at most income levels. Vast homogenous neighborhoods of single housing types were identified as an impediment to provide a variety of housing types at a range of price points in various locations.

Further information about Oregon City's housing needs will be developed in future tasks (Milestone 5). There is also current discussion about coordinating efforts between the County and area jurisdictions to complete an update Housing Needs Analysis on a regional basis, but efforts are not yet underway.

Implementing Regulations

The concepts and policies identified in long-range and housing plans are translated into regulations that are often collectively referred to as “zoning” but include a range of land use, engineering and building standards. These regulations are fully explored in Sections 4 and 5 of this report.

- Oregon City Development Code (OCMC Title 17)
- Oregon City Land Division Regulations (OCMC Title 16)
- Annexation Code (OCMC Chapter 14.04)
- Oregon City Building Code (OCMC Title 15)
- Public Works Regulations and Standards
 - OCMC 12.04 – Streets, Sidewalks and Public Places
 - OCMC 13.12 – Stormwater Management
 - OCMC 13.20 – System Development Charges for Capital Improvements
 - OCMC 13.30 – Transportation Utility Fees
 - OCMC 15.48 – Grading, Filling and Excavating
 - Oregon City Engineering Standards and Details
- Master Fee Schedule
- System Development Charges (SDCs)

Outside Factors

Additional policy areas beyond the scope of this review affect availability and affordability of housing opportunities, including:

- Accessibility requirements for multifamily buildings and federally funded projects, including the Fair Housing Act, Uniform Federal Accessibility Standards, and the Americans with Disabilities Act (ADA) requirements.

- Building code requirements for energy efficiency promulgated by the state, included in the Oregon Residential Specialty Code.
- Design and durability requirements for housing projects receiving state funding promulgated by the Oregon Housing and Community Services agency.
- Metro requirements, including Urban Growth Boundary (UGB) and annexation policies.
- Market forces including costs for land, construction materials and labor.
- Consumer preferences, both preferences of households looking for new housing opportunities and those of existing households concerned about changes within existing neighborhoods.
- Financing and lending institutions, which tend to direct funding towards traditional types of housing development while limiting risk associated with financing nontraditional products such as ADUs or mixed-use projects in unproven markets.

4. CODE & POLICY OPPORTUNITY AREAS

Primary areas with opportunity for revisions and improvements that emerged from the audit across the various codes and policies, detailed in the following section, include:

- **Realign residential zones for low, medium and high-density opportunities.** The Comprehensive Plan includes three residential designations for low, medium and high-density development, which are then implemented by six zoning districts. Classify R-10, R-8 and R-6 (minimum lot sizes of 6,000 to 10,000 SF) as low density, R-5 and R-3.5 as medium density, and R-2 as high density zoning districts. Consolidate the six individual zoning district chapters into three chapters.
- **Expand permitted housing types within all residential zoning districts, appropriately scaled for each zone.** Within single-family residential districts, look to incorporate appropriately scaled “missing middle” housing types such as corner duplexes, accessory dwelling units (ADUs), and internal conversions of existing homes. Medium-density zones could accommodate multi-plexes, townhouses and courtyard apartments, with a full range of residential uses up to multifamily apartments allowed in the higher density zone. Include consideration of non-traditional residential options such as manufactured home parks, which are a viable existing use in Oregon City but have been relegated to nonconforming use status under the current code. Increasing variety of residential types and allowed densities will increase housing supply and introduce more choices at a variety of affordability levels.
- **Consolidate existing residential design standards and organize standards around each type of residential development.** Existing standards are located throughout the code, with some specific to type of residential development, some to the zone where development is located, and some to specific geographic areas within the city. Overlapping regulations complicate the development review process, and result in patchy development outcomes

across the city. Develop centrally located set of standards for each type of residential use from ADUs to multifamily projects.

- **Consolidate dimensional standards.** Present standards in simplified table format for easy comparison, and tailor to address specifics of zoning districts and desired development type, such as zero-foot side yard setbacks for townhouse development. Consider incentives, such as greater height or coverage, for desired projects that provide alternatives to single-family detached construction.
- **Make mixed-use projects feasible in this (sub)urban context.** Balance desired urban form in various city neighborhoods against market factors to support mixed-use and commercial development. While traditional vertical mixed use with residential uses over commercial may be more familiar or desired, consider alternatives such as horizontal mixed use or flexible site designs for sites outside of downtown.
- **Provide two-tiered review approach for simpler and more creative projects.** Land use reviews range from a Type I to III process, each with an increasing level of uncertainty, complexity, cost and time. Offer a Type I or II review option for as many projects as possible to reduce uncertainty and delay for more straightforward projects designed to meet clear and objective standards. Also create discretionary Type III review options for more creative projects designed to otherwise meet the code intent. For example, re-introduce a planned unit development (PUD) process to develop residential projects with greater flexibility within an overarching design concept as a Type III process, as an alternative to meeting the straight zoning standards through a Type II subdivision process.
- **Relocate engineering design details outside of code.** Details for street and right-of-way improvements can be moved to separate engineering documents that already exist to codify infrastructure standards.
- **Improve coordination between City departments to facilitate the development review process.** While the planning department generally should remain the lead for development review permitting, all City departments and affected regional agencies should improve coordination to provide consistent and accurate direction to developers. In particular, engineering and public works requirements should be better aligned with planning requirements from initial discussions at pre-application conferences through final construction permitting.
- **Target financial supports and incentives for desired development.** Use limited local funds and take advantage of state programs to financially support alternatives to single-family detached housing through tax abatements, SDC policy, and related funding tools.

5. DETAILED CODE AUDIT FINDINGS

Within the City's adopted code, this audit identified potential barriers, constraints and incentives to be explored and updated in future amendment phases of this project.

Findings are organized numerically to mirror the organization of the Oregon City Municipal Code (OCMC). Generally, infrastructure standards are in Titles 12 and 13, annexation standards are in Title 14, building code standards are in Title 15, land division standards are in Title 16, and zoning and development standards are in Title 17. Specific findings include a general description of the existing code features as needed, followed by itemized opportunities for future review and revision.

1. Recreational vehicles. OCMC 10.12

Current regulations in OCMC 10.12 address parking and storage of recreational vehicles on individual lots, prohibit parking vehicles on public streets, and do not allow use of recreational vehicles for temporary or permanent residential use. Vehicles may not be parked longer than 24 hours on any public street, per OCMC 10.08.080.

- a. Consider whether there are areas within the city, perhaps industrial areas with little nighttime activity, where recreational vehicles would be parked and occupied on the street.
- b. Align standards for parking and use of recreational vehicles on individual lots with any changes allowing recreational vehicle occupancy in Title 17.
- c. Clarify whether regulations apply to tiny homes.

2. Streets, sidewalks and public places. OCMC 12.04 (Note: Review and updates to this section will be coordinated with Public Works Department staff and engineering experts.)

Requires street and sidewalk improvements and right-of-way (ROW) dedications for all multifamily residential development (3+ units) and land divisions. Improvements are also required for new and expanded single- and two-family residential but costs are limited to 10% of the project cost. Modifications to standards may be pursued under OCMC 12.04.007.

- a. Review threshold for requiring full frontage improvements for new residential construction, including current standards for single-family and duplexes in OCMC 12.04.003.B. Balance need for public improvements against costs for projects, and consider additional strategies such as alternative street designs, local improvement districts (LIDs), and existing non-remonstrance agreements to reduce and/or defer costs of improvements. Consider applying similar standards to larger projects that meet affordability standards.
- b. Explore alternative street and sidewalk design specifications for infill situations, expanding on the differentiation in OCMC 12.04.010 and .020, to fulfill related goals of completing transportation infrastructure while minimizing improvement costs associated with infill development. Options could alternative standards, fee-in-lieu programs, deferred construction agreements, or LIDs.
- c. Review driveway minimum and maximum widths, particularly the 12-foot limit for homes in the R-3.5 zone, as well as shared driveway requirements in OCMC 12.04.025; weigh driveway impacts against ease of use by future residents.
- d. Explore tying street classification types to adopted Transportation System Plan (TSP) rather than adjacent land use types as shown in OCMC Table 12.04.180, to provide more site-specific improvements.

- e. Add alley and other narrower street typologies to allowed street classifications in OCMC Table 12.04.180, relative to the current residential local design with a 54-foot ROW and 32 feet of pavement.
- f. Review minimum standards for private streets versus public streets.
- g. Explore desired applications for pedestrian and bicycle accessways established in OCMC 12.04.199 to balance goals for multimodal connectivity and costs of improvements, and whether certain types of residential developments would be better suited to alternative block spacing and connectivity standards.
- h. Review mobility standards in OCMC 12.04.205, and align with ongoing transportation planning work on mobility standards.
- i. Explore alley standards in OCMC 12.04.255 mandating use throughout specific zones; evaluate alley design and use, spacing requirements, relationship to specific development types in residential zones, and benefits of alley-oriented development against development costs.
- j. Consider relocating these and other infrastructure improvement requirements to a single location, possibly moving technical specifications to the Engineering Standards, and moving general applicability and improvement requirements to the site plan review standards and/or land division standards.

3. Public and street trees. OCMC 12.08

Requires street trees planted every 35 feet along frontage of new construction or major reconstruction projects.

- a. Define what constitutes 'major reconstruction' and triggers applicability of this section.
- b. Align tree requirements, including situations that require planting public trees in front yard setbacks, with landscaping and tree preservation standards to ensure uniform approach to tree requirements. Align with residential street tree requirements in OCMC 17.20.015.
- c. Allow alternative locations or fee-in-lieu options for all development, and revise planting requirements in OCMC 12.08.015.
- d. Consider reductions or waivers for tree planting requirements for infill projects or other situations where tree planting is less feasible.
- e. Review standard details for road cross-sections to determine whether adequate space exists for tree plantings.

4. Stormwater management. OCMC 13.12

- a. Review engineering requirements and process to align with civil engineering best practices.

5. Annexation. OCMC 14.04

Establishes standards and procedures for incorporating land into the city limits, which will be especially relevant for the future of the Concept Plan areas that are largely in unincorporated Clackamas County.

- a. Review zoning districts that are applied through the annexation process to identify opportunities to better align zoning with adopted comprehensive plan, concept plans and property owners' development plans, and review process for zone changes upon annexation with and without discretion.
- b. Review annexation procedures against state law (ORS Chapter 222) and Metro Code (Section 3.09) to identify any opportunities to simplify code language and process.

6. Fire prevention code. OCMC 15.40.

- a. Partner with Clackamas County Fire District to review implications of fire code regulations regarding sprinklering, minimum fire access road widths, and weight-bearing capacity, turnarounds, and other related standards that impact the design and cost of new construction, while prioritizing fire safety.

7. Grading, filling & excavating. OCMC 15.48

- a. Review grading permit standards, including thresholds for abbreviated grading permits, for impacts on construction timelines and costs.

8. Manufactured home parks. OCMC 15.52

Regulates closure of manufactured home parks, requiring detailed mitigation measures to minimize negative impacts on park residents, who typically are lower-income households.

- a. No changes anticipated for this section; further strengthen these protections for park residents in the event of closure by making existing manufactured home parks allowed uses to ensure that continued operation is more feasible than closure.

9. Subdivisions – process and standards. OCMC Chapter 16.08

Creates a Type II review process to divide land into four or more parcels, with requirements for public infrastructure improvements to serve new parcels. Two-stage process consists of preliminary plat prior to final plat approval after infrastructure improvements are completed; final plat must be filed within two years of approval of the preliminary plat. Any modifications to a preliminary plat are reviewed through a Type II process, the same as the original subdivision approval, per OCMC 16.08.055.A.

- a. Review whether two-year period to file final plat after preliminary approval is sufficient timing, or if adjustments to this time limit could better facilitate development timelines. Consider adding option for multi-phase development with additional time allowed to file final plat for each phase.
- b. Consider alternative preliminary plat modification process to accommodate typical project refinements. Develop options for Type I or II review depending on scope of modifications, and define threshold of modifications triggering each level of review. Consider linking to minor and major modification process in OCMC Chapter 17.50.
- c. Consider developing standards for manufactured home subdivisions.

10. Minimum improvements for land divisions. OCMC Chapter 16.12

- a. Replace 80% minimum density requirement for all land divisions in OCMC 16.12.045 with tailored minimum and maximum density standards for each zone in Title 17.
- b. Review joint driveway requirements in OCMC 16.12.070.D and make joint driveways optional where feasible.
- c. Consider moving building orientation requirements in OCMC 16.12.070 to residential design standards in Title 17 to consolidate design requirements.
- d. Review improvement requirements relative to requirements in OCMC Titles 12 and 13, and adopted Engineering Standards.

11. Minor partitions. OCMC Chapter 16.16

Creates standards and Type II review process for land divisions of three or fewer parcels.

- a. Carry over any process improvements from subdivision chapter for consistency.

12. Zoning Definitions. OCMC Chapter 17.04

- a. Review definitions for all residential types to ensure existing definitions accurately describe dwellings, add new definitions as needed, consolidate definitions, and use terms consistently throughout this Title.
- b. Review manufactured home definitions, which are not used throughout the Title, to remove unused terms and update any terms for revised manufactured home uses. Clarify whether manufactured homes are included in definition of 'single-family detached residential' use.
- c. Review and amend definitions of residential design features and related terms identified in Oregon City 2014 audit, such as arcade, cupola, eave, etc.
- d. Review definitions of family, residential (group) homes, and residential facility to comply with fair housing standards protecting those with disabilities.
- e. Consider adding residential uses as a listed accessory use under the definition of 'religious institution' to allow development of institution-sponsored residential projects on existing or future sites.

13. Single-family dwelling districts (R-10, R-8, R-6, R-5). OCMC Chapters 17.08, 17.10, 17.12, 17.14.

Permitted residential uses include single-family detached homes, accessory dwelling units (ADUs), and cottage housing. Density is regulated by minimum lot sizes, ranging from 10,000 to 5,000 SF translating to 4.4 to 8.8 units per acre, and minimum density standards are unclear.

- a. Consolidate chapters into two groups: low density zones (R-10, R-8, R-6) and medium density zones (R-5, R-3.5), to include recasting R-5 as a mixed dwelling district similar to R-3.5 that permits attached dwellings and other "missing middle"-type alternatives to single-family detached houses. Proposed division of zoning districts would mirror the land use classifications established in the Comprehensive Plan.

- b. Explore allowing additional residential uses such as duplexes including corner duplexes and internal conversions of existing homes. In the R-5 zone, consider allowing single-family attached and live/work uses.
- c. Clarify that individual manufactured homes are allowed under the same terms as stick-built homes, and introduce minimum design standards to ensure compatibility with surrounding development that are not so onerous as to effectively prohibit such homes.
- d. Develop alternative density standards based on dwelling units per acre. Explore both minimum and maximum densities.
- e. Consider alternative dimensional standards based on residential development type, e.g. duplexes compared to single-family residential. Standards should balance limiting impacts to adjacent properties, while incorporating incentives for non-single-family detached construction in the form of greater development potential. Include zero-foot side setbacks for single-family attached development if allowed in the R-5 zone.
- f. Consider a maximum FAR or gross floor area standard, potentially tailored for each type of residential development, in lieu of maximum height and building coverage standards. Develop maximum FAR and/or footprint standards based on typical market-rate developments to ensure standards are feasible and specific to desired housing products, such as cottage housing.
- g. Present dimensional standards in a consolidated table format where possible and delete text, similar to the summary table in OCMC 17.06.040.

14. (Mixed) Dwelling district (R-3.5). OCMC Chapter 17.16

Permitted residential uses include single-family detached homes, single-family attached homes (townhomes), duplexes, and accessory dwelling units (ADUs). Current maximum density is effectively 12.4 units per acre based on 3,500 SF minimum lot size. Projects subject to site plan review are required to meet a minimum density of 80% of the zone's maximum, or 9.9 units per net developable acre. OCMC 17.62.050.A.19.

- a. Explore permitting additional residential uses such as cottage homes, triplexes and four-plexes, small-scale multifamily residential, and internal conversions of existing homes, and the relationship to master planning requirements for some of these uses.
- b. Explore less traditional residential uses including RV parks, manufactured home parks, and tiny home villages. Permitting manufactured home parks would eliminate nonconforming use status of existing parks. Consider supporting design standards to ensure such uses would be compatible with surrounding development.
- c. Explore allowing complementary supporting community uses such as social services, medical offices, and educational facilities.
- d. Explore alternative density standards including minimum and maximum units per acre.

- e. Review dimensional standards and tailor to various housing types as appropriate, including clarification of zero-foot setbacks for single-family attached developments.
- f. Explore dimensional standards that incentivize greater number of units and varied unit types relative to single-family detached residential homes, such as additional FAR or gross floor area for triplexes compared to a single-family detached home, to make more efficient use of land in this district.
- g. Consider required level of review for non-single-family-detached residential developments; aim to develop Type I or II review tracks with clear and objective standards for as many residential types as possible, with Type III option and discretionary criteria for alternative designs.
- h. Present dimensional standards in a consolidated table format where possible and delete text, similar to the summary table in OCMC 17.06.040.

15. Multiple family dwelling district (R-2). OCMC Chapter 17.18

Permitted residential uses include multifamily residential (apartments) and live/work units. Current maximum density is effectively 21.8 units per acre based on 2,000 SF minimum lot size. Projects subject to site plan review are required to meet a minimum density of 80% of the zone's maximum, or 17.4 units per net developable acre. OCMC 17.62.050.A.19.

- a. Consider allowing a greater variety of residential types, possibly even single-family detached residential when included as part of a larger, varied project that meets the minimum density for the zone.
- b. Explore permitting single-family attached residential (townhomes) depending on typical project densities; such projects were previously allowed in the zone and could be re-introduced.
- c. Explore allowing less traditional residential uses including RV parks, manufactured home parks, boarding houses (single-room occupancy or SROs), and tiny home villages.
- d. Explore allowing complementary supporting community uses such as social services, medical offices, and educational facilities.
- e. Explore alternative density standards including minimum and maximum units per acre.
- f. Explore density or FAR/gross floor area bonuses for certain types of desired housing such as income- or age-restricted to promote equitable housing goals. Develop eligibility standards, such as receipt of state or federal grants, or requirement for a recorded covenant, to ensure continued affordability.
- g. Explore dimensional standards tailored to specific residential types, size of project, and/or infill situations. Consider reduced lot width and depth standards for some types of single-family development, as well as zero-foot setbacks for single-family attached development, if use is permitted, to ensure projects can meet minimum densities.
- h. Present dimensional standards in a consolidated table format where possible and delete text, similar to the summary table in OCMC 17.06.040.

- i. Consider required level of review for non-single-family-detached residential developments; aim to develop Type I or II review tracks with clear and objective standards for as many residential types as possible, with Type III option and discretionary criteria for alternative designs.

16. Additional residential uses. OCMC Chapters 17.08 through 17.18

There are a variety of nontraditional residential options not currently allowed in any residential zones, including manufactured home parks, recreational vehicles, tiny home villages, and campgrounds for transitional housing.

- a. Clarify that individual manufactured homes are permitted in most single-family zones, with the exception of historic districts, consistent with ORS 197.312 - 314. Develop limited design standards, as allowed by state law, for neighborhood compatibility.
- b. Allow manufactured home parks in select residential zones, likely R-3.5, or develop a new Manufactured Home Park zone to apply to existing parks. Comply with ORS 197.303, 192.314 and 197.475 – 492. Standards should address minimum park size, not to be less than 1 acre, density of units, internal circulation, and provisions for common amenities.
- c. Consider allowing temporary or permanent use of recreational vehicles for residential purposes in limited circumstances, such as in a manufactured home park or recreational vehicle park, or a few weeks of the year for an individual homeowner. Develop review processes and permitting requirements for any proposed recreational vehicle uses.
- d. Consider whether to regulate tiny homes together with recreational vehicles, as many are technically categorized under state regulations, or as a separate use. Explore possibilities for tiny home uses either individually or grouped in pods.
- b. Consider allowing campgrounds for transitional housing in up to two locations in the city per ORS 446.265. Campgrounds could be permitted as an accessory use to a faith-based organization by expanding the definition of 'religious institution' in OCMC 17.04, under the U.S. Religious Land Use and Institutionalized Persons Act of 2000. Campgrounds could also be regulated as a separate use category, including a definition, use classification within all zones, and any special use standards.

17. Residential design standards. OCMC Chapter 17.20, 17.21, 17.22.

Standards in OCMC 17.20 include residential design standards that primarily address facades, building orientation and garage placement for single-family homes and duplexes, and landscaping standards, including street tree requirements. Standards in OCMC 17.21 and 17.22 are specific to two of the concept plan areas (Park Place and South End).

- a. Review design requirements in OCMC 17.20, balance quality design, compatibility with neighboring development, and costs.
- b. Review garage design limitations in OCMC 17.20.030 to calibrate limitations on garage presence along front facades with typical garage needs particularly for

the R-3.5 and R-6 zones, while ensuring appealing front façade design that creates connections between homes and the street.

- c. Consolidate chapters based on similar themes. Simplify relationship between standards in all districts and those specific to one or more Concept Plan areas. Consider developing individual chapters or sections devoted to specific residential forms, e.g. chapters/sections for single-family detached, single-family attached, duplexes, triplexes and four-plexes, multifamily, and cottage housing developments.
- d. Review standards for individual Concept Plan areas and identify common themes, consolidating standards where possible.
- e. Coordinate design standards with current City-led efforts to develop standards for the Beaver Creek Concept Plan area implementing the Concept Plan principles.
- f. Consider relationship between state design requirements for projects receiving affordable housing funding, which generally require a high standard of durability, and local design requirements. Look to align requirements, or reduce local regulations in favor of state regulations for affordable projects. Explore applicability options, such as proof of state or federal housing funding, or recorded covenant guaranteeing rent levels tied to a specific AMI percentage.

18. Residential uses in commercial zones. OCMC 17.24, 17.26, 17.32

General Commercial (C) zone allows multifamily residential, assisted living, and live/work units as an allowed primary use. OCMC 17.32. Generally applied to larger parcels along Molalla Avenue and Beaver Creek Road. Historic commercial (HC) zone allows single-family detached, duplexes, live/work units, and multifamily residential development with no associated commercial use. OCMC 17.26. Applied within limited area of Canemah neighborhood. Neighborhood commercial (NC) zone allows multifamily, single-family attached or two-family residential, when included as part of a nonresidential development and not to exceed 50% of the project's square footage; live/work units. OCMC 17.24. Does not appear to apply to any significant properties in the city, but is proposed within Concept Plan areas.

- a. Consider whether entirely residential projects are desired or feasible in these commercial base zones, and what kinds of dimensional, design and density standards would promote desired development types.
- b. Consider whether to allow residential uses on the ground floor, or restrict to upper floors only.
- c. Clarify relationship to development standards elsewhere in the code, such as applicability of multifamily and site design standards in OCMC 17.62.

19. Mixed-use and downtown zones. OCMC 17.29, 17.31, 17.34 and 17.35

Mixed-Use Corridor (MUC) zone allows multifamily residential, assisted living, and live/work units in a mixed-use context. Applied in downtown, along Molalla Ave and Beaver Creek Rd, and at key nodes within Concept Plan areas. Mixed-Use Employment (MUE) zone does not allow any residential uses. Consider whether to allow any residential uses, possibly as part of vertical and horizontal mixed-use projects. Mixed-

Use Downtown (MUD) zone allows multifamily residential, assisted living, and live/work units in a mixed-use context, and prohibits single-family or duplex residential uses. Willamette Falls Downtown District (WFDD) allows multifamily residential and live/work units, allows assisted living as a conditional use, and prohibits single-family or duplex residential uses.

- a. Evaluate FAR regulations in the MUC, WFDD zone as they apply to residential development.
- b. Consider dimensional, design and density standards for residential development to ensure compatibility within a horizontal or vertical mixed-use context, and/or clarify relationship to such standards elsewhere in the code.
- c. Explore economic feasibility of horizontal and vertical mixed-use projects relative to code requirements such as ground-floor active use requirements, and adjust requirements as needed to facilitate mixed-use projects that are outside the traditional mold of first-floor commercial and upper-story residential.

20. Historic overlay district. OCMC 17.40

Applies additional design requirements and review procedures for development with the Canemah Historic District and the McLoughlin Conservation District.

- a. Explore implications for residential infill development and redevelopment in these areas to achieve a balance between historic compatibility and housing development potential.

21. Tree protection. OCMC 17.41

Tree protection standards apply to all projects completing a land division or site plan review. OCMC 17.41.020.

- a. Review relative impact of tree protection, and viability of existing mitigation options, on development feasibility of residential projects.

22. Geologic hazard overlay district. OCMC 17.44

Regulates development within and adjacent to (within 50 feet of) slopes > 25% and within 200 feet of landslide areas and other geologically unstable areas; there is frequent overlay with NROD areas. Requires additional development and construction standards and engineering for structures, roads and public utilities within the overlay. Regulations severely restrict allowable residential densities within these areas.

- a. No changes anticipated.

23. Natural resources overlay district (NROD). OCMC 17.49

Protects natural resources by limiting development. Residential development, including land divisions, new construction, and expansions to existing development, are regulated under this overlay.

- a. Review density transfer standards in OCMC 17.49.240, currently focused on single-family detached, single-family attached and duplex residential the R-10, R-8, R-6, R-5 and R-3.5 districts. Ensure dimensional standards for density transfer

align with any revisions to the base zone dimensional standards, and that density transfer standards cover all types of allowed residential uses.

- b. No additional changes anticipated.

24. Administration and procedures. OCMC 17.50

Establishes review procedures for various types of applications, including Type I, II, III and IV applications.

- a. Review neighborhood association meeting requirements in OCMC 17.50.055, including which types of projects require such a meeting, and balance against utility of such meetings.
- b. No significant changes anticipated.

25. Off-street parking requirements. OCMC 17.52

Establishes minimum and maximum parking requirements for multifamily residential ranging from 1 to 1.75 spaces per unit minimum, depending on number of bedrooms. OCMC Table 17.52.020. Does not apply to single- and two-family residential uses.

Establishes a Type III adjustment process to reduce parking requirements if use can be shown to demand fewer parking spaces or can provide adequate nearby parking to minimize impacts on the surrounding area. OCMC 17.52.015. Allows reductions in the Downtown Parking Overlay District, for transit-oriented development, to further the tree protection standards, and in conjunction with a transportation demand management program. 17.52.020.C.

- a. Compile all parking standards here to create central reference, including single- and two-family residential uses, or cross-reference those requirements.
- b. Evaluate current parking reduction options, and consider adding a mechanism to reduce parking requirements for desired housing types, whether it is a straight reduction to minimum parking standards across the board, or more targeted to documented affordable housing projects, certain housing types, certain locations, or projects of a certain size.
- c. Consider option to reduce parking requirements for sites in proximity to transit or other multimodal transportation options.
- d. Review whether carpool/vanpool parking requirement should apply to residential developments. OCMC 17.52.030.E
- e. Review bicycle parking requirements in OCMC 17.52.040 to maximize utility of bicycle parking required for multifamily projects while minimizing costs, particularly standards for covered bicycle parking.
- f. Review parking lot landscaping requirements as apply to multifamily development in OCMC 17.52.060 to most efficiently meet objectives for parking lot design, stormwater management, and overall site landscaping. Consider incentives for low-impact development (LID) approaches to expand upon credits under OCMC 17.52.070.B.

26. ADU standards. OCMC 17.54.090

One attached or detached ADU is allowed per conforming single-family lot, through building permit (Type I) review. ADUs may be 300 to 800 SF, or up to 40% of the size of the main dwelling; owners must live on the property.

- a. Review owner-occupancy requirement and consider whether there is a legitimate policy purpose, and if so, whether current regulations are the least restrictive way to achieve those goals.
- b. Review design guidelines, including compatibility with existing structure, and implications for custom versus model ADU designs.
- c. Review dimensional standards, including minimum and maximum size and setbacks, and parking requirements. Consider eliminating size restriction based on primary dwelling size, which penalizes smaller homes.
- d. Explore feasibility of allowing one attached and one detached ADU on a single lot.
- e. Explore feasibility of allowing a tiny home as an ADU; additional coordination with building code would be required.
- f. Explore feasibility of allowing manufactured home or other prefabricated units as ADUs to reduce costs, and the intersection with design guidelines.

27. Live/work units. OCMC 17.54.105

Live/work units are allowed through Type II review to allow combined commercial and residential use.

- a. Clarify relationship to home occupations and mixed use, and determine whether live/work provides a distinct opportunity that requires separate zoning regulations.
- b. Address types of commercial uses allowed in live/work units; relocate use regulations from 'live/work unit' definition to this section.
- c. Review intersection with building code requirements for differently rated construction types.

28. Internal conversions of existing single-family homes. New section in OCMC 17.54

- a. Add standards to permit conversion of older homes into two or more internal units, exempt from duplex and density standards for the underlying zone. Conversions could allow additional housing units, preserve existing stock rather than demolition. Include requirement to maintain a single main entrance with internal access to both units and other compatibility standards within single-family neighborhoods.

29. Nonconforming situations. OCMC Chapter 17.58

- a. Review how regulations affect viability of continued manufactured home park operations, unless parks made an allowed use.
- b. Review standards for nonconforming lots in areas of the city with high concentration of nonconforming lots to determine ways to facilitate infill

development or redevelopment on these lots, including alternative nonconforming lot review standards.

30. Variances. OCMC Chapter 17.60

- a. Review thresholds for minor variances for residential projects relative to typical requests received, review whether adjusted thresholds could better facilitate desired residential development. OCMC 17.60.020.E.

31. Site plan and design review. OCMC Section 17.62

- a. Explore relationship between site plan, design review, minor site plan, and variance thresholds, specifically in relation to required reviews for typical residential projects or typical proposals such as increased density. Look to simplify review requirements where possible, and clarify review requirements here or in individual zoning district chapters.
- b. Develop minor review process for reasonable accommodations for individuals with disabilities, such as modification to setbacks to allow wheelchair ramps, additional hardscape for driveways, accessible building additions, and others.
- c. Review general site plan standards in OCMC 17.62.050 for applicability to residential projects, and identify where revisions could be made more specific to residential development and/or relocated to residential design sections elsewhere in the code. For example, remove minimum density standard for residential projects from OCMC 17.62.050.A.19 and replace with minimum density standards for each residential zone.
- d. Evaluate pedestrian circulation standards and other infrastructure-related standards in OCMC 17.62.050, such as access and driveway widths, and relocate to streets standards in OCMC 12.04.
- e. Review site design requirements to locate parking areas behind or to sides of buildings in OCMC 17.62.050.A.2 relative to efficient multifamily residential site development.
- f. Explore efficacy and utilization of standard requiring consideration of financial effects of site design requirements on the availability of needed housing types and ability to maintain planned site densities. OCMC 17.62.090.B

32. Multifamily residential design standards. OCMC Section 17.62.057

Design standards currently apply to any residential project with three or more units in any zone, and require design approaches for materials, façade articulation, and site amenities such as landscaping and open spaces.

- a. Consider exempting smaller projects, such as 3-6 unit projects, from some standards, or develop alternate standards based on project scale.
- b. Review design requirements and balance quality of development, compatibility with neighborhood, and affordability implications. E.g., minimum building frontage requirements may better screen parking areas but result in fewer units being built.

- c. Review minimum ground floor height requirements for residential projects within mixed-use or commercial zones in OCMC 17.62.057.J to balance design objective, likelihood of future nonresidential redevelopment, and additional costs. Consider alternatives including setbacks or raised floor plates.
- d. Review intersection of general site plan standards in OCMC 17.62.050 and residential standards here; eliminate duplicative or conflicting standards, such as external walkways, pedestrian circulation and materials requirements.
- e. Review combined requirements of common and private open space, consider adjustments to require quality open spaces while decreasing costs, potentially targeted at needed developments such as income- or age-restricted projects.
- f. Consider relationship between state design requirements for projects receiving affordable housing funding, which generally require a high standard of durability, and local design requirements. Look to align requirements, or reduce local regulations in favor of state regulations for affordable projects. Explore applicability options, such as proof of state or federal housing funding, or recorded covenant guaranteeing rent levels tied to a specific AML percentage.
- g. Consider creating a separate chapter or section for these standards in the 17.20s as part of consolidation of residential design standards.

33. Cottage housing standards. OCMC Section 17.62.059

- a. Review implications of classifying cottage housing as multifamily development for parking and site design standards. OCMC 17.62.059.A.
- b. Review dimensional standards, including clarification of whether average gross floor area is a minimum or maximum.
- c. Retain density bonuses that exceed base zone allowances and consider overall minimum and maximum density range for cottage developments.
- d. Review design standards for cottage housing clusters.
- e. Consider creating a separate chapter or section for these standards in the 17.20s as part of consolidation of residential design standards.

34. Master plans. OCMC 17.65

Provides a Type III land use review for major developments, primarily intended for institutional development over 10 acres in size but can also be applied to residential development. Requires two-step review of a general and detailed development plan, and impacts and mitigation measures can be analyzed on a per phase basis. Allows for alternative development standards for site dimensions, density, design, parking, multimodal vehicle connectivity, and similar. Establishes Type I, II and III review tracks for master plan modifications depending on the scope of proposed changes. Review thresholds for each level of review, including requirement for Type III review of any use within 100 feet of the project perimeter.

- a. Clarify relationship to the land division process in OCMC Title 16 and/or consider master plan standards more specific to residential development. Alternatively, consider reviving a version of the residential-specific Planned Unit Development

(PUD) process to allow more flexible residential developments that vary from base zoning standards.

- b. Consider requiring master planning or PUD process for residential development in certain areas, such as Concept Plan areas, or sites with significant environmental constraints such as NROD or geologic hazards, in order to guide finely detailed, discretionary design concepts.
- c. Consider development incentives, such as density bonuses, for projects that incorporate ADA-accessible or visitable units, affordable units, or other desired housing types, or that meet green building standards or low-impact development techniques, either through the master plan process or new PUD process.

6. ADDITIONAL AUDIT FINDINGS

Beyond municipal code and zoning code regulations, additional audit findings center around development review processes, financial tools, and housing policies. Future implementation phases will need to review the feasibility of developing responses to these findings as part of this project, or whether the complexity of certain policies merits separate review outside the scope of this project.

Development Review Process Improvements

The City can ensure effective application of the development code during the residential development process by implementing supportive policies and efficient internal City review processes. Additional opportunity areas that could support development of equitable housing include:

Development review processing. The procedural requirements for Type I-IV reviews in OCMC 17.50 are implemented on a day-to-day basis through the City's development review process. Process improvements – from prompt, accurate, and professional review of projects in over-the-counter reviews or initial inquiries, through final land use, engineering, and building permit issuance – could improve applicants' experience, speed up project timelines, and reduce project costs. Process improvements could range from upgraded permit tracking software to adjusting staff availability for applicant inquiries and pre-application conferences, to improved coordination between City departments and regional agencies. Consider expedited permit review processes for priority projects, such as those incorporating income-restricted affordable housing.

Coordination between City departments. Several interviewees expressed concerns regarding coordination between the Planning and Engineering departments, such as inconsistencies between planning requirements or approvals and requirements raised during engineering review that significantly impacted project costs and design. Explore ways to reduce “silo” approach to development review, or public perception of departmental silos. Develop coordination strategies, such as regular interdepartmental meetings, a single point-of-contact system throughout the entire development review process, and other internal improvements.

Informational materials. Develop new or amend existing informational materials available for residential projects, including typical development projects and annexation procedures. Materials should be specific to the type of residential construction (e.g., ADUs or multifamily development) and written for the typical developers of such projects (e.g. homeowners constructing an ADU may require greater detail, but a developer building a 200-unit mixed-use project may require limited but precise information). Consider including review requirements, timelines, fees, SDCs, and applicable code sections. Recognize limitations of one-size-fits-all guides, and also focus resources on providing site-specific information through over-the-counter advice and pre-application conferences.

Financial Strategies

Market-rate development is often financially difficult to achieve given increased construction costs and relatively low rents in Oregon City. Additional municipal incentives, programs, and other actions will be helpful, if not necessary, to substantially increase the supply of units in Oregon City affordable to households across all income levels. Recently, regulated affordable projects have not been able to close funding gaps with Low-Income Housing Tax Credits (LIHTC) and other federally-available sources, primarily due to the decrease in the value of LIHTC equity pricing on top of rapidly rising construction costs. Financial strategies could include:

System Development Charges (SDCs). SDCs are currently \$25,589 for a single-family detached residential unit; rates are up to 20% lower for various other types of residential development. There is a 10% transportation (vehicle) reduction available for development in the downtown mixed-use area and along the 7th Street and Molalla Avenue Corridor. (Res 09-02.) Developers report that SDCs are one of the biggest expenses for residential development, and that rates for non-single-family detached residential construction seem disproportionately high. Future opportunities to update SDC policy to further diverse residential development could include:

- *SDC waivers or reductions:* Evaluate the City's desired housing development, whether tied to location, development type, or owner characteristics, and consider providing SDC waivers or reductions for desired development. SDC waivers have been a common tool to encourage ADU development, for example.
- *SDC methodology:* Consider adoption of alternative methodology as the basis for residential SDCs, such as a square footage basis or average occupancy rates rather than unit type, or establishing multiple service areas rather than city-wide average rates.
- *SDC financing:* Educate development community about potential to finance SDCs through the City's finance department to spread out payments. Review interest rates on deferred SDC payments to ensure they are reasonable relative to the market to make this an attractive and feasible option for developers. Consider whether financing should be available for all development or targeted at qualifying types of development, including affordable housing. Financing would ensure that the City receives the same fees, simply at a later date, though it can create cash flow challenges for the City.

- *SDC best practices:* Coordinate with efforts underway by Metro to understand the impact of SDCs on housing prices across the region, relative SDC rates, and opportunities to revisit SDC practices.

Land write downs. Land that is controlled by the public sector or acquired with specific funding sources can often be sold for private and/or nonprofit redevelopment. Land acquired with tax increment financing, EB5 funding, or federal resources such as CDBG or HUD Section 108, can be sold or leased at below-market rates for various projects to help achieve redevelopment objectives. Publicly owned parcels can often be disposed of at lower costs or on more flexible terms to induce redevelopment. The public sector can provide technical assistance with the process of acquiring a private parcel for redevelopment or combining parcels together into one developable site. Other times, the public sector acquires the parcel(s), combines them, and sells to a private party.

Tax Abatements:

- *Multiple-Unit Limited Tax Exemption Program:* In 2017, the Oregon State Legislature passed HB 2377 which allows cities and counties to create a property tax exemption for rehabilitated or newly constructed multi-unit rental housing within their boundaries, if the project includes units made available to low-income households, for up to 10 years. Though the state enables the program, each city has an opportunity to shape it to achieve local goals by controlling the geography of where the exemption is available, application process and fees, program requirements, criteria (return on investment, sustainability, inclusion of community space, percentage affordable or workforce housing, etc.), and program cap. Through a competitive process, multi-unit projects can receive a property tax exemption for up to ten-years on structural improvements to the property in exchange for setting aside a percentage of the units in the project as affordable. The City can select projects on a case-by-case basis through a competitive process. Importantly, tax abatements can incent preservation of existing affordable units as well as construction of new units.
- *Vertical Housing:* The City of Oregon City already has a Vertical Housing Program in place that allows for a partial property tax exemption for 10 years for projects that incorporate multi-family housing in multistory buildings. As of October 2017, this program is no longer administered by the state, but is locally administered.¹

Funding Tools. Many of the financing tools described above require municipal funding. In addition to general fund grants or loans, the City can consider adding new funding sources as it further develops its programs and policies. These include a construction excise tax, linkage fees, and the creative use of community development block grant funding.

¹ <https://www.orcity.org/economicdevelopment/vertical-housing-development-zone>

Other Opportunities

Short-term rental policies. Oregon City does not currently have an explicit policy regulating short-term residential rentals; instead, short-term rentals of 30 days or less are classified as a 'bed and breakfast' use as defined in OCMC 17.04.145 and require a conditional use permit in residential zones. While such rentals can increase income for property owners, they can also reduce the local residential housing supply and increase rents on comparable residential units. Opportunities around short-term rentals include:

- *Track short-term rentals:* Develop an inspection and licensing requirement, or other methodology that enables the city to track short-term rentals to better determine the scope of the impact, including rental costs.
- *Regulate short-term rentals:* Depending on the prevailing practices, any identified negative impacts, and the City's policy goals, consider developing a short-term rental policy to regulate the rental market to minimize spill-over effects to the housing market and/or impacts on existing neighborhoods.
- *Tax short-term rentals:* The City can follow Portland's example and work with Airbnb, Homeaway, and other providers to initiate automatic collection of Clackamas County's 6% local transient lodging tax. Currently Oregon City listings only collect a 1.8% Oregon Transient Lodging Tax.² This revenue source could be used for housing and economic development purposes.

Inclusionary zoning policy. Oregon City does not have an inclusionary zoning policy. State legislation from 2016 allows Oregon cities to consider the use of inclusionary zoning policies for the first time. (SB1533) Inclusionary zoning policies require that developers either build a certain number of units in new residential developments to be affordable for low- or middle-income families or pay an in-lieu fee. Since inclusionary zoning stems from market-rate development activity, policy development is most effective when carefully calibrating to the economic realities of a specific jurisdiction, including construction costs, target affordability range, and market rents. These incentives can be regulatory incentives (e.g. reduced parking requirements or density bonuses) or financial incentives (property tax abatements or other forms of public investment). Additional analysis would be required to understand the impact of such a policy on development feasibility in the City of Oregon City, and to calibrate incentives to the local market.

² <https://www.airbnb.com/help/article/653/in-what-areas-is-occupancy-tax-collection-and-remittance-by-airbnb-available#Oregon>