



## Frequently Asked Questions: Understanding SB 1051 -2 Amendment

### 1. What does SB 1051 -2 do?

Section 2 and 3 allow cities an alternative process to include land in their UGB that has already been designated by the local government and LCDC for future urban development (Urban Reserves) if the land can meet certain conditions and a percentage is guaranteed to support construction of homes and jobs for those earning below 120% AMI. Section 4 allows cities with less than 3,500 population to designate Urban Reserves and then expand its UGB, annex, develop and serve a parcel in the designated UR area under certain conditions. This will allow applications for residential development, commercial, or industrial development (min. 10+ jobs paying wages equal to or greater than the area median wage), to move through an expedited, but measured process in small rural areas.

### 2. Don't we have enough land in Oregon for housing?

No. According to the most recent data supplied by the Department of Land Conservation and Development, of the approx. 63,000,000 total acres in Oregon, only about 395,320 acres are zoned for residential use inside UGBs. This means that slightly more than half of one percent of Oregon's land is available to house nearly all Oregon families.

### 3. Does a limited supply of residential land impact the cost of housing?

Yes. Just like with housing stock supply, when there is a limited supply of buildable land, it is more expensive to purchase. Land inside the UGB that is zoned residential and serviced by infrastructure is exponentially more expensive than land just outside of the UGB. It can be a drastic difference in the cost in land, separated by just a few feet, depending on which side of the growth boundary the land is on. Generally, land costs make up 30-40% of the overall cost of a home. When land costs are too high, it makes building an affordable housing product nearly impossible.

### 4. How does SB 1051 help produce more middle-income housing?

SB 1051 utilizes the power of partnership by bringing landowners, developers, builders, and local governments together to expand land supply, reduce legal uncertainty and government process, and capture land costs when they are at their least expensive. The expedited UGB process in Section 2 allows a local government to bring a modest amount of readily developable lands into its UGB, if it receives a petition from a landowner who is willing to legally guarantee that a significant portion of the land will be sold and developed to homebuyers earning below 120% of the area median income. These are the homes needed for our teachers, nurses, firefighters, small business owners, and public servants. We are seeing this exact type of policy work now to produce affordable housing: [HB4079 \(oregonlegislature.gov\)](https://www.oregonlegislature.gov/bills-introactions/default.aspx?bill=4079&type=HB); [Bend city councilors OK master plan for Parkside Place affordable housing pilot project - KTVZ](https://www.ktvz.com/news/bend-city-councilors-ok-master-plan-for-parkside-place-affordable-housing-pilot-project/).

## **5. Why does SB 1051 apply only to Urban Reserves?**

Urban Reserves (UR) are an important planning tool used to direct a city's future growth and provide certainty to the community about future urban development. As part of designating areas as urban reserves, the city is required to weigh the importance of the land for farm or forest use versus future urban development. The lands must meet specific criteria, and the city must consider environmental values, open space preservation, wildlife habitat, wetlands, etc. Those issues are resolved prior to UR designation and done with robust public engagement. Once an area is designated UR, it serves as an acknowledgement by the city and state that this is where the city will grow.

If a community then finds a need to expand, the City Council can initiate the UGB expansion process. Once Urban Reserves are designated by the City and County, they automatically become the first priority of land to analyze when it is time to determine where to expand the UGB. Urban reserve land is then further analyzed and planned based on expansion needs, then brought into the UGB for those specific uses, such as housing or jobs.

## **6. Why doesn't the current UGB expansion process help produce affordable housing?**

Under the current UGB expansion process, there is no incentive for a landowner to agree to an affordability covenant, and landowners may have to wait decades before seeing their land ever get brought into the boundary. When it does come in, the limited supply of land for housing coupled with high demand causes prices of those parcels to skyrocket. When parcels are selling for over \$1,000,000 an acre, it is nearly impossible to build an affordable product. SB 1051 combats this issue by giving local governments an option to use an expedited pathway that provides an essential tool missing to boost affordable housing development – incentives.

Section 2 and 3, will allow a local government the option to approve a petition to bring a small amount of existing urban reserve land into the boundary now, in exchange for a portion of the land being built for workforce housing. The land in question has already been deemed as the first land that should come into the boundary when expansion occurs, and subjected to extensive analysis and public engagement. The land would also have to go through the current annexation and entitlements process to be developed.

SB 1051 simply allows certain urban reserve land to come into the boundary now, instead of 15 years from now, as a powerful incentive for landowners to cap the price of their land. This helps reduce risk for landowners, who often see their land tied up in litigation when UGBs do expand, and gives them a faster rate of return. In exchange, a home builder is able to keep hard costs low, and bring a more affordable product to market.

## **7. Is SB 1051 voluntary for local governments?**

Yes. Both processes outlined in SB 1051 are not mandatory on any local government, and require a willing landowner, developer, builder, and local government to work together to utilize these alternative processes. This bill is about partnership.

## **8. Will SB 1051 cause urban sprawl?**

No. SB 1051 contains several provisions that limit the amount of land that can be considered for the expedited expansion process. Foremost, the bill limits expansion to only lands that are designated

urban reserve. Currently, there are only 13 cities and Metro that have urban reserves at this time. For those cities, Section 2 contains the following sideboards:

- The land must be a contiguous parcel not larger than 200 acres adjacent to the existing UGB of Metro or the city;
- The land must retain areas designated for protection in an acknowledged comprehensive plan pursuant to open spaces, scenic and historic areas and natural resource goals;
- The land must be capable of being rezoned consistent with any land use planning goal relating to transportation planning;
- At least 20% of the housing units must be set aside for workforce housing;
- The land must be provided with all necessary urban services within two-years;
- The city has identified a need for additional workforce housing in the city's comprehensive plan;
- The city may not have approved a petition under this bill in the past 5 years;
- The city must provide public comment; and
- The city must serve as an affordable housing covenant holder with a duration of no less than 30 years.

These sideboards drastically limit the amount of land that can be considered for this process, making SB 1051 a modest, but important step forward for increasing our land supply for affordable housing.

#### **9. How does Section 4 help small cities?**

In the 16 years since the Legislature first authorized cities to adopt urban reserves, not one small city has designated them. The reason is because current Oregon law creates no incentive for any jurisdiction to designate urban reserves, especially those with limited staff and resources. Urban reserves are a critical planning tool, but without incentives, they will remain unused. SB 1051 Section 4 gives our smallest Oregon cities the opportunity to create urban reserves in exchange for meaningful development opportunities that will have immense importance for rural economies. This Section allows our smallest cities to thrive and prosper.

#### **10. If a city wishes to designate urban reserves and add more land to the boundary, how is that determination made?**

The city and county work cooperatively to designate an urban reserve area. As part of setting the URA, the city and county enter into an intergovernmental agreement (IGA) which specifies how further planning in the IGA will occur, and which jurisdiction (city or county) will have authority to make planning decisions for the URA. Once the city and county designate the URA and formalize the IGA, whichever local government is assigned planning jurisdiction under the IGA has authority to approve a boundary expansion to allow the proposed use. Nothing in Section 4 interferes with the existing process between a city and county for agreeing upon planning jurisdiction in a URA.

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