

SB 58 -1, -2 STAFF MEASURE SUMMARY

Senate Committee On Housing and Development

Prepared By: Kaia Maclaren, LPRO Analyst

Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 2/12, 3/31

WHAT THE MEASURE DOES:

The measure directs the Housing and Community Services Department to establish and administer a pilot grant program to develop interior auxiliary dwelling units for the purpose of expanding housing in the state.

Detailed summary:

Directs the Housing and Community Services Department (the Department) to create and administer a pilot program (the program) to award grants to counties for the purpose of establishing a home modification program to encourage the development of interior auxiliary dwelling units (ADUs). Directs counties that have received grants to award subgrants to homeowners that demonstrate eligibility to build and rent interior ADUs. Establishes the Auxiliary Dwelling Unit Fund.

Directs the Department to provide grants to not more than 10 eligible counties, with each grant not exceeding \$1 million, in order for these counties to establish a home modification program, within provided specifications, to provide subgrants to homeowners to develop and rent interior ADUs. Directs the Department to adopt rules to administer the program, including: Application standards to determine county eligibility and amount of funds disbursed; and application standards to that awarded counties may use to determine the eligibility of homeowners, and the procedure for determining individual loan amounts.

Allows each awarded county to use up to \$50,000 of the grant received to pay for administrative costs of applying and administering the program. Limits each subgrant to \$20,000 per homeowner. Limits property eligibility to those single-family dwellings that are:

- In habitable condition;
- Is not in default on property taxes, in default on a loan secured by the property, or subject to an unpaid or judgement lien; and
- Able to be modified to develop the unit.

In order to be eligible for sub-grant award, the homeowner must agree to the following:

- Develop the ADU described in the application;
- Rent the ADU to one or more tenants, other than a family member, for a minimum of 60 cumulative months;
- Charge the tenant rent that is no higher than the market rate as defined by the county;
- Occupy the primary single-family dwelling as a primary residence throughout the required rental period on the ADU;
- Not use the ADU as a vacation rental as defined in Oregon Revised Statute (ORS), Chapter 90; and
- Agree to allow the county to place a lien on the dwelling to secure the agreement.

Requires that a homeowner reimburse the county a prorated amount of the grant based on the number of months, out of the required 60, that the ADU was not rented or the owner did not reside in the single-family dwelling. Requires this reimbursement to be made no later than seven years after the receipt of the subgrant. Excludes an ADU developed under this program from "new property or new improvements," as defined in ORS Chapter 308, for the purposes of calculating the value of the dwelling. Appropriates \$10 million for deposit into the Auxiliary Dwelling Unit Fund. Provides definitions. Takes effect on 91st day following adjournment sine die.

Fiscal impact: Impact statement issued

Revenue impact: Revenue statement issued

ISSUES DISCUSSED:

- Addressing the housing shortage in Oregon
- Enabling seniors to stay in their homes
- Housing development without additional infrastructure development cost-burden
- Efficient use of built space

EFFECT OF AMENDMENT:

-1 The amendment limits eligibility to single-family dwellings that are located within an urban growth boundary or in an area zoned for rural residential use.

-2 The amendment limits eligibility to single-family dwellings that are located within an urban growth boundary or in an area zoned for rural residential use. The amendment clarifies that an Auxiliary Dwelling Unit (ADU) whose development is "minor construction" as defined by Oregon Revised Statute (ORS) 308.149 (5)—meaning real property improvements, the real market value of which does not exceed \$18,200 in any assessment year or \$45,000 over five assessment years—is not subject to increased tax liability based on the improvements. The amendment removes Sections 4 and 5 of the base bill, which exclude an ADU developed under this program from "new property or new improvements," as defined in ORS Chapter 308, for the purposes of calculating the value of the dwelling.

BACKGROUND:

According to the most recent [Oregon Housing Needs Analysis report](#), released December 2024, Oregon needs to build about 29,500 homes each year to make up for the shortfall, caused by underproduction in housing since the 2008 housing crash and recession, and the almost 400,000 additional people who have come to Oregon since 2010. Housing supply is particularly limited for low-income and extremely-low income Oregonians, where about one affordable unit exists for every 4.2 families in need.