

## SB 58 A STAFF MEASURE SUMMARY

### Senate Committee On Housing and Development

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**Action Date:** 03/31/25

**Action:** Do pass with amendments. Refer to Finance and Revenue then to Ways and Means by prior reference. (Printed A-Eng.)

**Vote:** 5-0-0-0

**Yeas:** 5 - Anderson, Broadman, Nash, Patterson, Pham

**Fiscal:** Fiscal impact issued

**Revenue:** Revenue impact issued

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**Meeting Dates:** 2/12, 3/31

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#### 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 affordable housing.

##### Detailed Summary:

Directs the Housing and Community Services Department (the Department) to create and administer a pilot program to award grants to counties to establish a home modification program to fund development of interior auxiliary dwelling units (ADUs).

Sets grant eligibility requirements for counties and requires counties to submit a completed application in the form and manner prescribed by the department; agree in writing to establish a home modification program; and meet any other criteria that the department establishes.

Directs counties that have received grants to award subgrants to homeowners that demonstrate eligibility to build and rent interior ADUs. Limits each subgrant to \$20,000 per homeowner.

Directs the Department to provide grants to not more than 10 eligible counties, with each grant not exceeding \$1 million. Directs the Department to determine in rule the application standards and procedures for county eligibility, amount of funds disbursed to counties; eligibility of homeowners, and amounts of grants for eligible owners.

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.

Requires homeowners' applications to counties to include

- proof that the dwelling is in habitable condition;
- verification that the dwelling is within an urban growth boundary or on land zoned for rural residential use;
- proof that dwelling 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
- description of how the dwelling will be modified to develop the ADU.

Requires homeowners to agree to

- 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 prior to the end of the rental periods;
- agree to allow the county to place a lien on the dwelling to secure the agreement; and

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*This summary has not been adopted or officially endorsed by action of the committee.*

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- meet any other reasonable requirements established by the department or county.

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.

Clarifies that an ADU whose development is "minor construction"—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.

Establishes the Auxiliary Dwelling Unit Fund. Appropriates \$10 million for deposit into the Auxiliary Dwelling Unit Fund.

Sunsets pilot grant program on January 2, 2034.

Takes effect on 91st day following adjournment sine die.

### **ISSUES DISCUSSED:**

- Access to home matching resources
- Requirements for owner occupancy for eligible properties
- County assessment fees and assessment value of income-producing properties
- System development charges regulations for interior units
- Short-term rental prohibitions and implementation by counties

### **EFFECT OF AMENDMENT:**

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" such as a real property improvement, 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 the exclusion of an ADU developed under this program from "new property or new improvements" 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.

An accessory dwelling unit (ADU) is a self-contained, smaller residential space situated on the same property as a detached single-family home. Across the United States, these units are known by various names such as accessory apartments, secondary suites, and granny flats. They may be created by repurposing parts of an existing home (internal ADUs), by adding to a new or existing building (attached ADUs), or by constructing a new, separate structure or converting an existing standalone building (detached ADUs). An ADU remains legally attached to the main property and cannot be sold or bought on its own; ownership of the ADU is inherently tied to the ownership of the main home.