

A-Engrossed House Bill 2316

Ordered by the House April 16
Including House Amendments dated April 16

Sponsored by Representative MANNIX; Representatives BOICE, HELFRICH, JAVADI, LEVY B (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: This Act allows DAS to designate certain state and local lands within UGBs as home start lands for low cost housing. Home start lands are exempt from certain land use laws and exempt from property taxes for up to five years. (Flesch Readability Score: 72.7).

[Digest: This Act allows DAS to designate state lands for homes for sale to first-time home owners and OHCS to designate locally identified land for homes for sale to lower income home owners. Designated lands are exempt from land use laws and, for five years, exempt from tax based on the value of the land. (Flesch Readability Score: 61.9)]

Allows designation by the Oregon Department of Administrative Services of certain state-owned and locally nominated lands within an urban growth boundary as home start lands to be used for affordable housing. Exempts home start lands from [statewide] local land use laws. *[Requires that the Home Start Lands designated by the Housing and Community Services Department be used for affordable housing. Requires that the Home Start Lands designated by the Oregon Department of Administrative Services be developed for housing by the department and sold to first-time home buyers under a lottery-based prioritization system.]*

Allows the department to transfer state-owned home start lands to a developer exempted from ordinary transfer processes once the lands are subject to an affordable housing covenant.

Establishes the Home Start Lands Fund to implement the program and to provide loans and grants to develop affordable housing on home start lands. Allows the department to collaborate with the Housing Accountability and Production Office and requires collaboration with the Department of State Lands to implement the program.

Exempts [dwellings created on] home start lands from property tax assessments [on the value of the land] for a period of up to five years [following the sale to a homeowner] under certain conditions. *[Applies to property tax years beginning July 1, 2028, and before July 1, 2034.]*

A BILL FOR AN ACT

Relating to lands designated for housing.

Be It Enacted by the People of the State of Oregon:

SECTION 1. Definitions. As used in sections 1 to 11 of this 2025 Act:

(1) "Affordable housing" means dwellings or dwelling units offered for purchase or rent, with or without government assistance, to individuals who are members of low or moderate income households at a sales price or rent that is affordable to those households.

(2) "Cottage clusters" has the meaning given that term in ORS 197A.420.

(3) "Home start lands" mean lands designated by the Oregon Department of Administrative Services under section 2 or 3 of this 2025 Act.

(4)(a) "Lands owned by the state" means real property or interest in real property that is:

(A) Subject to ORS 270.100;

(B) Controlled by the State Department of Fish and Wildlife;

(C) State forestlands that the State Forestry Department controls;

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

(D) Controlled by the Department of Transportation;

(E) Controlled by the State Parks and Recreation Department; or

(F) Controlled by the Department of State Lands.

(b) "Lands owned by the state" does not include real property that is:

(A) State lands as classified in ORS 273.251, or is otherwise a part of the Common School Fund;

(B) Land held by the state as a trustee;

(C) Lands whose use under sections 1 to 11 of this 2025 Act would be unconstitutional or prohibited by or inconsistent with any federal law; or

(D) Lands for which the state has only subsurface ownership or mineral rights.

(5) "Local government" means:

(a) For land within a city's boundaries, the city; or

(b) For all other land not described in paragraph (a) of this subsection, the county in which the land is located.

(6) "Low income household" means a household with income less than or equal to 80 percent of the area median income.

(7) "Middle housing" has the meaning given that term in ORS 197A.420.

(8) "Moderate income household" means a household with income less than or equal to 120 percent and greater than 80 percent of the area median income.

(9) "Townhouses" has the meaning given that term in ORS 197A.420.

(10) "Urban growth boundary" has the meaning given that term in ORS 197.015.

SECTION 2. State designation of home start lands. (1)(a) The Oregon Department of Administrative Services shall identify lands owned by the state within urban growth boundaries and designate the lands as home start lands if, in the department's discretion, the lands have not been used or committed for any permanent state purpose and are, or could be made to be, better suited for the development of housing.

(b) In considering whether the lands have not been used or committed for any permanent state purpose and are, or could be made to be, better suited for the development of housing, the department shall consider whether the lands are underutilized or are contiguous lands that may be combined to accommodate the development of middle housing.

(2) The department may also identify real property owned by the state that may be exchanged for real property within urban growth boundaries and of approximately equal aggregate value. Real property acquired by the state under this subsection shall be designated by the department as home start lands.

(3) The department shall confer with any state agency that owns, manages, operates or is authorized to act on behalf of the state regarding the real property prior to designation under this section.

(4) Lands designated as home start lands under this section are not subject to ORS chapter 270 or any law governing the state or any agency's use, management, operation, sale or transfer of lands owned or operated by the state.

(5) The department may adopt rules administering this section and sections 3, 6, 7, 8, 9, 10 and 11 of this 2025 Act.

SECTION 3. Nomination of lands by local governments. (1) The Oregon Department of Administrative Services may designate real property as home start lands if the department finds that the property complies with the requirements under subsection (2) of this section

and that the local government and property owners have identified a plan or funding source for the property that is substantially likely to increase the supply of affordable housing in this state.

(2) Local governments may identify real property within urban growth boundaries that is eligible for designation as home start lands and may, by ordinance, nominate real property for designation as home start lands, provided that:

(a) The property is all or a portion of a tract, as defined in ORS 215.010, that is subject to an affordable housing covenant as described in ORS 456.270 to 456.295 that will make the property, including each lot or parcel created from the property by division of land:

(A) Developable only for housing that will be made available for homeownership, for a period of not less than 30 years from the date of the first sale to a homeowner, to moderate or low income households at a sales price that is affordable to such households; or

(B) Developable only for rental housing that will be made available for rent, for a period of not less than 30 years from the date the rental housing is first occupied, to moderate or low income households at a rent that is affordable to such households; and

(b) All owners of the property have consented to the designation.

(3) A local government may adopt, by ordinance, regulations for identifying real property that is eligible for designation as home start lands consistent with this section.

SECTION 4. Planning and uses of home start lands. (1) Home start lands may be zoned, divided, combined, developed or used only for single-family dwellings, duplexes, triplexes, quadplexes, cottage clusters or townhouses.

(2) A local government may adopt, by ordinance, application approval, siting or development regulations consistent with this section for the specific purpose of regulating home start lands.

(3) Notwithstanding any zone change or conditional use permit requirements of the local government, property designated as home start lands under section 2 or 3 of this 2025 Act may be used for residential development as provided under this section unless the local government determines that:

(a) Development on the property cannot be adequately served by water, sewer, storm water drainage or streets, or will not be so served adequately when the development on the property is complete;

(b) The property contains a slope of 25 percent or greater;

(c) The property is within a 100-year floodplain; or

(d) The development of the property is constrained by land use regulations based on statewide planning goals related to:

(A) Natural disasters and hazards; or

(B) Natural resources, including air, water, land or natural areas, but not including open spaces or historic resources.

(4) A local government shall allow the residential use of property described in subsection (3) of this section, provided the development:

(a) Meets the minimum density requirements for middle housing within the jurisdiction of the local government if the development is for middle housing; and

(b) Meets the local government's clear and objective standards, conditions and procedures regulating the development of housing, as described in ORS 197A.400.

(5) An application for development of home start lands must be:

(a) Approved or rejected by the governing body of the local government; and

(b) Approved or rejected within a time frame established by the local government pursuant to ORS 197A.400.

(6) Approval or rejection of an application under subsection (5) of this section shall be based on criteria and standards adopted by the local government under subsection (2) of this section and shall be accompanied by a statement that explains the criteria and standards considered relevant to the decision, states the facts relied upon in rendering the decision and explains the justification for the decision based on the criteria, standards and facts set forth.

(7) Written notice of the approval or rejection of an application under subsection (5) of this section shall be given to the applicant. Notice under this subsection shall comply with ORS 197.797 (3)(a), (c), (g) and (h) and shall describe the nature of the decision and include an explanation of appeal rights.

(8) A final decision of a local government on an application under this section is a land use decision subject to review by the Land Use Board of Appeals under ORS 197.830 to 197.845.

(9) An approval of a development application under this section becomes void four years after the date it is issued.

SECTION 5. Termination of home start lands designation. The designation of real property as home start lands is terminated for real property if a development application for the property has not been approved by the local government under section 4 of this 2025 Act within three years following the property's designation as home start lands and:

(1) For property designated under section 2 of this 2025 Act, the Oregon Department of Administrative Services has issued an order terminating the designation; or

(2) For property designated under section 3 of this 2025 Act:

(a) The local government has adopted an ordinance terminating the designation; or

(b) The Oregon Department of Administrative Services has issued an order terminating the designation.

SECTION 6. Disposition of lands designated as home start lands. (1)(a) The state, through the Oregon Department of Administrative Services, may sell, transfer, or lease for an initial period not to exceed 99 years all real property designated as home start lands under section 2 of this 2025 Act to housing developers for the purpose of facilitating the development of affordable housing on home start lands. Except where the department is exchanging real property, the consideration for the sale, transfer or lease may be any combination of cash and real property.

(b) A lease agreement entered under this section may be renewed after the initial period for a period not to exceed 99 years. Nothing in this subsection obligates or requires the state to renew a lease agreement entered under this section.

(2) The authority to lease property granted by this section includes authority to lease property not owned or controlled by the state as of the effective date of the lease agreement. Leases described in this subsection shall be conditioned on the subsequent acquisition of the interest covered by the lease.

(3) Before the department sells, transfers or leases real property under this section, the department shall cause the real property to be appraised, by an appraiser registered under ORS 308.010, in accordance with rules adopted by the department.

(4) Property sold, transferred or leased under this section must be subject to an afford-

able housing covenant as described in ORS 456.270 to 456.295 that makes the property, including each lot or parcel created from the property by division of land:

(a) Developable only for housing that will be made available for homeownership, for a period of not less than 30 years from the date of the first sale to a homeowner, to moderate or low income households at a sales price that is affordable to those households;

(b) Developable only for housing units that, for a period of not less than 30 years from the date of sale to a homeowner, are subject to a shared equity ownership model under a community land trust and made available for homeownership to moderate or low income households at a sales price that is affordable to those households; or

(c) Developable only for rental housing that will be made available for rent, for a period of not less than 30 years from the date the rental housing is first occupied, to moderate and low income households at a rent that is affordable to those households.

(5) If more than one housing developer is interested in real property available for sale, transfer or lease under this section, the department shall conduct a bidding process that includes consideration of the entity most capable of delivering services and housing options to conform with the purposes of sections 1 to 11 of this 2025 Act.

(6) The department shall give notice of a proposed sale under this section not less than once a week for three successive weeks by publication in one or more newspapers of general circulation in the county in which the real property is located and in other newspapers, if any, as the department considers advisable. The notice shall describe generally and by legal subdivision such real property and the asking price. The department may accept or reject any proposal.

SECTION 7. Development on home start lands. (1) For real property sold, transferred or leased under section 6 of this 2025 Act, the housing developer shall:

(a) Work to diligently prepare affordable housing by taking necessary steps and engaging contractors to:

(A) Partition, subdivide or replat the lands for the development of housing under this section; and

(B) Prepare the land for housing, through grading, surveying, planning, installing infrastructure for residential development on the land and other activities;

(b) Develop single-family dwellings or middle housing on the land; and

(c)(A) For housing and real property made available for sale, convey the homes and real property in a manner consistent with the applicable affordable housing covenant under section 6 (4)(a) or (b) of this 2025 Act and pursuant to the deed restrictions under section 10 (2) of this 2025 Act; or

(B) For housing made available for rent, lease the rental housing in a manner consistent with the affordability restriction under section 6 (4)(c) of this 2025 Act.

(2)(a) For real property sold, transferred or leased to a housing developer under section 6 of this 2025 Act for a nominal amount, the developer shall assume responsibility for capital improvements, as defined in ORS 223.299, which may be in addition to or in lieu of the developer's payment of system development charges, to ensure sufficient infrastructure capacity for anticipated housing on the land.

(b) For real property sold, transferred or leased to a housing developer under section 6 of this 2025 Act at market rate, the Oregon Department of Administrative Services shall, as necessary, disburse or lend moneys for purposes of capital improvements, as defined in ORS

223.299, which may be in addition to or in lieu of the developer's payment of system development charges, to ensure sufficient infrastructure capacity for anticipated housing on the land.

(3) Notwithstanding the exclusion of developments subject to an affordable housing covenant from the definition of "planned community" under ORS 94.550, housing developed on home start lands under this section may be made a part of a planned community, provided that the state or housing developer retains ownership of and responsibility for land to be maintained for public utility or infrastructure purposes, including a common courtyard required for a cottage cluster. Home start lands subdivided or partitioned and developed as part of a planned community are subject to the provisions of ORS 94.550 to 94.783.

(4) The department may provide grants and loans for the development of affordable housing on home start lands.

SECTION 8. Proceeds of sale. (1) The proceeds, less costs, of real property sold by the Oregon Department of Administrative Services under section 6 of this 2025 Act shall be credited to and deposited in the Home Start Lands Fund established under section 9 of this 2025 Act.

(2) The revenue from the rental or lease of home start lands managed by the department shall be credited to and deposited in the Home Start Lands Fund established under section 9 of this 2025 Act.

(3) Notwithstanding subsection (1) or (2) of this section, an agency may negotiate with the department to apply the proceeds of a sale, transfer or lease of home start lands to another capital acquisition of that agency.

SECTION 9. Home Start Lands Fund. (1) The Home Start Lands Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Home Start Lands Fund shall be credited to the fund. Moneys in the fund are continuously appropriated to the Oregon Department of Administrative Services for the purpose of implementing sections 1 to 11 of this 2025 Act, including providing grants and loans under section 7 (4) of this 2025 Act.

(2) The Home Start Lands Fund consists of:

(a) All moneys received under section 8 (1) and (2) of this 2025 Act;

(b) Moneys appropriated or otherwise transferred to the fund by the Legislative Assembly; and

(c) Other moneys deposited in the fund from any source.

SECTION 10. Occupancy requirements for dwellings sold on home start lands. (1) As used in this section, "primary residence" means housing occupied as an individual's principal dwelling for a cumulative total of at least nine months of the calendar year and that the individual intends to maintain as the individual's principal dwelling.

(2) When a property developed on home start lands becomes available to sell under section 7 of this 2025 Act, each deed conveying the property under section 7 of this 2025 Act must:

(a) Require that the property be the homeowner's primary residence for a period of not less than five years and that this use be enforceable by the city or county in which the property is located and by the department; and

(b) Grant to the state, through the Oregon Department of Administrative Services, a right of first refusal to purchase the property that shall run concurrent with the applicable

affordable housing covenant under section 6 (4)(a) or (b) of this 2025 Act.

SECTION 11. Collaboration on implementation of sections 1 to 11 of this 2025 Act. (1) The Oregon Department of Administrative Services shall collaborate with the Department of State Lands on the implementation of sections 1 to 11 of this 2025 Act.

(2) Upon request by the Oregon Department of Administrative Services, the Housing Accountability and Production Office shall collaborate with the department on establishing program guidance for the implementation of sections 1 to 11 of this 2025 Act.

(3) The Oregon Department of Administrative Services may enter into contracts or agreements necessary to:

(a) Seek expert consultation on the implementation of sections 1 to 11 of this 2025 Act; or

(b) Obtain appraisals of real property as required under sections 1 to 11 of this 2025 Act. Appraisals of real property obtained by the department under sections 1 to 11 of this 2025 Act shall be performed by an appraiser registered under ORS 308.010.

SECTION 12. Property taxes for land designated as home start lands. (1)(a) Notwithstanding ORS 307.100 and 307.110, land is exempt from ad valorem property taxation for any property tax year if the land:

(A) Constitutes home start lands as defined in section 1 of this 2025 Act;

(B) Has been sold, transferred or leased under section 6 of this 2025 Act; and

(C) Is used or held for use consistently with applicable provisions of sections 1 to 11 of this 2025 Act.

(b)(A) Except as provided in subparagraph (B) of this paragraph, an exemption may be granted under this section for a period not to exceed two consecutive property tax years.

(B) The exemption may be granted for each of not more than three succeeding property tax years if construction of affordable housing meeting the requirements of sections 1 to 11 of this 2025 Act is started on the land no later than the end of the second property tax year of the exemption and continues or is completed in each succeeding property tax year.

(2)(a) A person seeking an exemption for land under this section must apply to the Oregon Department of Administrative Services for certification that the land is eligible for exemption on the terms set forth in subsection (1) of this section.

(b) Application shall be made, on a form provided by the department, on or before March 1 of each assessment year for which the certification for exemption is sought, except that when the land is acquired after March 1 and before July 1, the application for that year must be filed within 30 days following the date of acquisition.

(c) The application must include:

(A) A description of the land for which the certification is sought;

(B) Any information and documentation the department requires for the purpose of determining the eligibility of the land for the certification; and

(C) A written declaration made by the applicant, subject to penalties for false swearing, that all information and statements included in the application are true.

(3)(a) On or before April 1 of the assessment year, or for applications for land acquired after March 1 and before July 1, within 30 days following the date the application was filed, the department shall approve or deny each application for certification and:

(A) Notify each applicant of the approval or denial of the application;

(B) For each approved application, certify to the assessor of each county in which the

land to which the application relates is located that the land is eligible for the exemption;
and

(C) For each denied application for land that had previously been granted exemption under this section for a previous tax year, notify the county assessor of any information that relates to the previous grants of exemption.

(b) The denial of an application for certification may not be appealed.

(4) Upon receipt of certification under subsection (3)(a)(B) of this section, the county assessor shall exempt the land from ad valorem property taxation in accordance with the certification.

(5) For each property tax year that land is exempt from taxation under this section, the county assessor shall enter on the assessment roll:

(a) The assessed value of the land as if it were not exempt under this section.

(b) The amount of taxes that would be due if the land were not exempt.

(c) That the land is exempt and is subject to potential additional taxes as provided in this section, by adding the notation "home start lands (potential additional tax)."

(6)(a) Land may be granted exemption under this section until the earlier of:

(A) The end of the fifth consecutive property tax year of exemption; or

(B) The first property tax year for which the land is denied certification for the exemption under subsection (3) of this section.

(b) Land that is no longer exempt by operation of this subsection shall be assessed and taxed as other property similarly situated is assessed and taxed.

(7)(a) Upon discovery by the county or receipt of notice by the department that land received an exemption under this section for a property tax year for which the land was not eligible, the land shall be disqualified for the exemption and there shall be added to the assessment and tax roll for the next following property tax year, to be collected and distributed in the same manner as the other ad valorem property taxes imposed on the land, an amount equal to the taxes that would have been imposed on the land for each of the tax years for which the land received the exemption.

(b) In addition to the additional taxes imposed under this subsection and any other applicable penalties imposed under law, the county assessor shall impose a penalty, not to exceed five percent of the amount of the additional taxes, in accordance with rules adopted by the department.

(c) Notwithstanding paragraphs (a) and (b) of this subsection, if the exemption was granted to ineligible land due to a statement or omission on the part of an applicant for certification that was not intentionally misleading:

(A) Additional taxes may be imposed only for the years for which the land was ineligible;
and

(B) Any penalty shall be waived.

(d) Additional taxes and any penalty imposed under this subsection shall be deemed assessed and imposed in the year to which the additional taxes relate.

(8) The department may adopt any rules the department considers necessary or convenient for the administration of this section.

SECTION 13. Captions. The section captions used in this 2025 Act are provided only for the convenience of the reader and do not become part of the statutory law of this state or express any legislative intent in the enactment of this 2025 Act.

