

## A-Engrossed Senate Bill 58

Ordered by the Senate April 4  
Including Senate Amendments dated April 4

Sponsored by Senator HAYDEN; Senator SMITH DB (at the request of Clackamas County Commissioner Ben West)  
(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 makes OHCS award grants to counties for subgrants to home owners to create auxiliary dwellings for rent. (Flesch Readability Score: 63.8).

Directs the Housing and Community Services Department to establish and administer a pilot program to award grants to counties. Requires recipient counties to establish a home modification program that awards grants to homeowners to develop and rent interior auxiliary dwelling units **within an urban growth boundary or an area zoned for rural residential use.**

*[Prevents auxiliary dwelling units developed by the grant from triggering recalculation of property value for property tax purposes. Applies to assessment years beginning January 1, 2026, and before January 1, 2032.]*

Sunsets on January 2, 2034.

Takes effect on the 91st day following adjournment sine die.

### A BILL FOR AN ACT

Relating to expanding the supply of affordable housing; and prescribing an effective date.

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

**SECTION 1. Sections 2 and 3 of this 2025 Act are added to and made a part of ORS chapter 458.**

**SECTION 2. (1) As used in this section:**

(a) "Auxiliary dwelling unit" means a rental space within a single-family dwelling that may be occupied by a tenant under a rental agreement separate from the owner's occupancy.

(b) "Home modification program" means a program implemented by a county that receives a grant under this section to fund auxiliary dwelling units.

(c) "Owner" means an owner of a single-family dwelling.

(d) "Single-family dwelling" means a residential structure designed for one family and sharing no common wall with another residence of any type.

(e) "Tenant" means a tenant, as defined in ORS 90.100, of an owner's auxiliary dwelling unit, including a unit that shares a bathroom, kitchen or laundry facilities with the owner.

(2) The Housing and Community Services Department shall establish and administer a pilot grant program to expand affordable housing in this state by awarding grants to counties to develop a home modification program by which the county provides funds to owners to develop and rent auxiliary dwelling units.

(3) To be eligible for a grant under this section, a county must:

(a) Submit a completed application in the form and manner prescribed by the department;

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.

1 (b) Agree in writing to establish a home modification program that complies with this  
2 section; and

3 (c) Meet other criteria established by the department.

4 (4) The department shall issue grants to 10 or fewer eligible counties. Each grant may  
5 not exceed \$1,000,000.

6 (5) A county's home modification program must provide grants to eligible owners in an  
7 amount not exceeding \$20,000 per single-family dwelling.

8 (6) To be eligible for a home modification program grant, an owner must submit a com-  
9 pleted application to the county in the form and manner prescribed by the department, in  
10 which the applicant must:

11 (a) Demonstrate that the single-family dwelling is in a habitable condition;

12 (b) Verify that the single-family dwelling is located within an urban growth boundary, as  
13 defined in ORS 197.015, or an area zoned for rural residential use, as defined in ORS 215.501;

14 (c) Demonstrate that the single-family dwelling is not in default on property taxes or on  
15 a loan secured by the real property and that the real property is not subject to an unpaid lien  
16 or judgment lien; and

17 (d) Describe how the single-family dwelling will be modified to develop an auxiliary  
18 dwelling unit in accordance with this section and applicable building and housing codes.

19 (7) In consideration of an award of a home modification program grant, the owner must  
20 agree to:

21 (a) Develop an auxiliary dwelling unit as described in the application;

22 (b) Rent the developed auxiliary dwelling unit to one or more tenants, other than a family  
23 member, for a minimum of 60 cumulative months;

24 (c) Charge the tenant rent that is no higher than the market rate as determined by the  
25 county and specified in the grant award offer;

26 (d) Occupy the single-family dwelling as a primary residence throughout the required  
27 rental periods;

28 (e) Not use the auxiliary dwelling unit as a vacation occupancy, as defined in ORS 90.100,  
29 prior to the end of the rental periods required under this section;

30 (f) Agree to allow a county to place a lien on the single-family dwelling securing the  
31 agreement and the county's right of repayment under subsection (8) of this section; and

32 (g) Meet any other reasonable requirements established by the department or county.

33 (8) No later than seven years after the receipt of the home modification program grant,  
34 an owner shall reimburse the county a prorated amount of the grant based on the number  
35 of months, out of the required minimum 60 months, during which the auxiliary dwelling unit  
36 was not rented, or the owner did not reside in the single-family dwelling as a primary resi-  
37 dence.

38 (9) The department shall adopt rules necessary to administer this section, including:

39 (a) Application standards and procedures to determine the eligibility of a county to re-  
40 ceive a grant and the amount of the grant; and

41 (b) Application standards and procedures that counties must use to determine the eligi-  
42 bility of an owner to receive a home modification program grant and the amount of funding  
43 if an owner is eligible.

44 (10) A county may use up to \$50,000 of a grant awarded under this section to pay for the  
45 administrative costs of applying for and administering a home modification program.

1       (11) An auxiliary dwelling unit whose development is minor construction within the  
2 meaning provided under ORS 308.149 (5) does not have its maximum assessed value deter-  
3 mined under ORS 308.153.

4       SECTION 3. (1) The Auxiliary Dwelling Unit Fund is established in the State Treasury,  
5 separate and distinct from the General Fund.

6       (2) The Auxiliary Dwelling Unit Fund consists of moneys appropriated, allocated, depos-  
7 ited or transferred to the fund by the Legislative Assembly or otherwise.

8       (3) Moneys in the fund are continuously appropriated to the Housing and Community  
9 Services Department to provide grants to counties under section 2 of this 2025 Act.

10       SECTION 4. In addition to and not in lieu of any other appropriation, there is appropri-  
11 ated to the Housing and Community Services Department, for the biennium beginning July  
12 1, 2025, out of the General Fund, the amount of \$10,000,000 for deposit in the Auxiliary  
13 Dwelling Unit Fund established under section 3 of this 2025 Act.

14       SECTION 5. Sections 2 and 3 of this 2025 Act are repealed on January 2, 2034.

15       SECTION 6. Any unobligated moneys in the Auxiliary Dwelling Unit Fund on January 2,  
16 2034, shall be transferred to the General Fund for general governmental purposes.

17       SECTION 7. This 2025 Act takes effect on the 91st day after the date on which the 2025  
18 regular session of the Eighty-third Legislative Assembly adjourns sine die.