

Enrolled
House Bill 4037

Introduced and printed pursuant to House Rule 12.00. Pre-session filed (at the request of House Interim Committee on Housing and Homelessness for Representative Pam Marsh)

CHAPTER

AN ACT

Relating to housing; creating new provisions; amending ORS 92.031, 197.320, 197A.140, 197A.400, 197A.445, 270.010, 270.030, 270.100, 307.213, 307.214, 307.216, 307.221, 307.225, 307.227, 307.229, 307.231, 307.233, 455.628 and 458.352 and section 22, chapter 476, Oregon Laws 2025; and prescribing an effective date.

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

CITY AND COUNTY HOUSING PROJECT FUNDING PROGRAMS

SECTION 1. Section 2 of this 2026 Act is added to and made a part of ORS 307.213 to 307.237.

SECTION 2. (1) As used in ORS 307.213 to 307.237, “eligible housing project” means a project to construct housing, or to convert a building from a nonresidential use to housing, that is:

(a) Affordable to households with low income or moderate income as those terms are defined in ORS 458.610;

(b) If for-sale property, a single-family dwelling, middle housing as defined in ORS 197A.420 or a multifamily dwelling that is affordable as described in paragraph (a) of this subsection for a period determined in accordance with subsection (2) of this section; or

(c) If rental property:

(A)(i) Middle housing as defined in ORS 197A.420;

(ii) A multifamily dwelling;

(iii) An accessory dwelling unit as defined in ORS 215.501; or

(iv) Any other form of affordable housing or moderate income housing; and

(B) Rented at a monthly rate that is affordable to households with an annual income not greater than 120 percent of the area median income, such affordability to be maintained for a period determined in accordance with subsection (2) of this section.

(2)(a) The affordability of eligible housing project property shall be maintained for at least as long as the agency loan related to the property remains outstanding.

(b) Notwithstanding paragraph (a) of this subsection, the Housing and Community Services Department may establish terms and conditions by which the affordability restrictions may be terminated upon foreclosure of the property by a permitted mortgage lender.

SECTION 3. ORS 307.213 is amended to read:

307.213. As used in ORS 307.213 to 307.237:

(1) "Agency loan" means a loan made by the Housing and Community Services Department pursuant to a program adopted under ORS 307.221.

(2) "Assessor," "tax collector" and "treasurer" mean the individual filling that county office so named or any county officer performing the functions of the office under another name.

(3) "County tax officers" and "tax officers" mean the assessor, tax collector and treasurer of a county.

(4) "Eligible costs" means the following costs associated with an eligible housing project:

(a) Infrastructure costs, including, but not limited to, system development charges;

(b) Predevelopment costs;

(c) Construction costs; and

(d) Land write-downs.

(5) "Eligible housing project" **has the meaning given that term in section 2 of this 2026 Act.** *[means a project to construct housing, or to convert a building from a nonresidential use to housing, that is:]*

[(a) Affordable to households with low income or moderate income as those terms are defined in ORS 458.610;]

[(b) If for-sale property, a single-family dwelling, middle housing as defined in ORS 197A.420 or a multifamily dwelling that is affordable as described in paragraph (a) of this subsection continuously from initial sale for a period, to be established by the Housing and Community Services Department and the sponsoring jurisdiction, of not less than the term of the agency loan related to the for-sale property; or]

[(c) If rental property:]

[(A)(i) Middle housing as defined in ORS 197A.420;]

[(ii) A multifamily dwelling;]

[(iii) An accessory dwelling unit as defined in ORS 215.501; or]

[(iv) Any other form of affordable housing or moderate income housing; and]

[(B) Rented at a monthly rate that is affordable to households with an annual income not greater than 120 percent of the area median income, such affordability to be maintained for a period, to be established by the department and the sponsoring jurisdiction, of not less than the term of the agency loan related to the rental property.]

(6) "Eligible housing project property" means the taxable real and personal property constituting the improvements of an eligible housing project.

(7) "Fee payer" means, for any property tax year, the person responsible for paying ad valorem property taxes on eligible housing project property to which *[a project grant awarded]* **project funding** under ORS 307.225 relates.

(8) "Fire district taxes" means property taxes levied by fire districts within whose territory all or a portion of eligible housing project property is located.

(9) "Nonexempt property" means property other than eligible housing project property in the tax account that includes eligible housing project property.

(10) "Nonexempt taxes" means the ad valorem property taxes assessed on nonexempt property.

(11) "Project funding" means a project grant or a project loan.

(12) "Project funding agreement" means an agreement entered into between a sponsoring jurisdiction and a developer under ORS 307.225 for a project grant or a project loan.

(13) "Project grant" means a grant awarded by a sponsoring jurisdiction under a project funding program adopted pursuant to ORS 307.214.

(14) "Project loan" means a loan made by a sponsoring jurisdiction under a project funding program adopted pursuant to ORS 307.214.

(15) "Sponsoring jurisdiction" means:

(a)(A) A city with respect to eligible housing projects located within the city boundaries; or

(B) A county with respect to eligible housing projects located in urban unincorporated areas of the county; or

(b) The governing body of a city or county described in paragraph (a) of this subsection.

SECTION 4. ORS 307.214 is amended to read:

307.214. (1)(a) A sponsoring jurisdiction may adopt by ordinance or resolution a project funding program under which the sponsoring jurisdiction awards project grants and makes project loans to developers for eligible costs.

(b) Before adopting the project funding program, the sponsoring jurisdiction shall consult with the governing body of any city or county with territory inside the boundaries of the sponsoring jurisdiction.

(2) The ordinance or resolution shall set forth:

(a) The kinds of eligible housing projects for which a developer may seek project funding under the program; and

(b) Any eligibility requirements to be imposed on projects and developers in addition to those required under ORS 307.213 to 307.237.

(3)(a) A project grant and a project loan:

[(a)] (A) *[Shall be in]* **May not exceed** the amount determined under ORS 307.216 (3); *[and]*

[(b)] (B) May include reimbursement for eligible costs incurred for up to 12 months preceding the date on which the eligible housing project received local site approval[.];

(C) **Shall be secured by an affordable housing covenant, as defined in ORS 456.270, that:**

(i) **Is recorded in first position in the real property records of the county in which the eligible housing project is located; and**

(ii) **Requires the project to remain affordable in accordance with section 2 of this 2026 Act; and**

(D) **May be transferred and assumed, in whole or in part, on terms and conditions established by the Housing and Community Services Department or the sponsoring jurisdiction, by any subsequent purchaser of the eligible housing project property or a portion of the property.**

(b) **Notwithstanding paragraph (a)(C)(i) of this subsection, if the sponsoring jurisdiction has pledged in repayment of the agency loan its full faith and credit and taxing authority and an alternative source of revenue acceptable to the department under ORS 307.223, the department may establish terms and conditions by which the affordable housing covenant may be made subordinate to a primary deed of trust, mortgage or other security instrument securing financing for the eligible housing project property.**

(4)(a) Eligible housing project property *[for which a developer receives a project grant for eligible costs]* **that is granted exemption under ORS 307.227** may not be granted any **other** exemption, partial exemption or special assessment of ad valorem property taxes *[other than the exemption granted under ORS 307.227]*.

(b) *[A sponsoring jurisdiction may not award a project grant to a developer under ORS 307.216 for an]* Eligible housing project **property** that is located in an urban renewal area **may not be granted exemption under ORS 307.227.**

(5) A sponsoring jurisdiction may amend an ordinance or resolution adopted pursuant to this section at any time. The amendments shall apply only to applications submitted under ORS 307.216 on or after the effective date of the ordinance or resolution.

SECTION 5. ORS 307.216 is amended to read:

307.216. (1)(a) A sponsoring jurisdiction that adopts a project funding program pursuant to ORS 307.214 shall prescribe an application process, including forms and deadlines, by which a developer may apply for project funding with respect to an eligible housing project.

(b) An application for project funding must include, at a minimum:

(A) A description of the eligible housing project;

(B) A detailed explanation of the affordability of the eligible housing project;

(C) An itemized description of the eligible costs for which the project funding is sought;

(D) The proposed schedule for completion of the eligible housing project;

(E) A project pro forma demonstrating that the project would not be economically feasible but for receipt of the project funding moneys; and

(F) Any other information, documentation or attestation that the sponsoring jurisdiction considers necessary or convenient for the application review process.

(c)(A) The project pro forma under paragraph (b)(E) of this subsection shall be on a form provided to the sponsoring jurisdiction by the Housing and Community Services Department and made available to [grant] **project funding** applicants.

(B) The department may enter into an agreement with a third party to develop the project pro forma template.

(2)(a) The review of an application under this section shall be completed within 90 days following the receipt of the application by the sponsoring jurisdiction.

(b) Notwithstanding paragraph (a) of this subsection:

(A) The sponsoring jurisdiction may in its sole discretion extend the review process beyond 90 days if the volume of applications would make timely completion of the review process unlikely.

(B) The sponsoring jurisdiction may consult with a developer about the developer's application, and the developer, after the consultation, may amend the application on or before a deadline set by the sponsoring jurisdiction.

(3) The sponsoring jurisdiction shall:

(a) Review each application;

(b) Provide the tax officers of the county in which the eligible housing project property is located with the estimated real market value and tax lot information of the property;

(c) Request that the county tax officers provide to the sponsoring jurisdiction the increment determined under ORS 307.218;

(d) Set the term of the agency loan that will fund the project funding award for a period not to exceed the greater of:

(A) Ten years following July 1 of the first property tax year for which the completed eligible housing project property is estimated to be taken into account; or

(B) If agreed upon by the sponsoring jurisdiction and the department, the period required for the agency loan principal, and fees, if any, to be repaid in full;

(e) Set the amount of the project funding that may be awarded to the developer under ORS 307.225 (2) by multiplying the increment determined under ORS 307.218 by the term of the agency loan; and

(f)(A) Provisionally approve the application as submitted;

(B) Provisionally approve the application on terms other than those requested in the application; or

(C) Reject the application.

(4)(a) The sponsoring jurisdiction shall forward provisionally approved applications to the [Housing and Community Services] department.

(b) The department shall review the provisionally approved applications for completeness, including, but not limited to, the completeness of the project pro forma submitted with the application under subsection (1)(b)(E) of this section and the increment computed under ORS 307.218, and notify the sponsoring jurisdiction of its determination.

(5)(a) If the department has determined that a provisionally approved application is incomplete, the sponsoring jurisdiction may:

(A) Consult with the applicant developer and reconsider the provisionally approved application after the applicant revises it; or

(B) Reject the provisionally approved application.

(b) If the department has determined that a provisionally approved application is complete, the approval shall be final.

(c) The sponsoring jurisdiction shall notify each applicant and the department of the final approval or rejection of an application and the amount of the project funding award.

(d) The rejection of an application and the amount of a **project grant award or project loan** may not be appealed, but a developer may reapply for project funding at any time within the applicable deadlines of the project funding program for the same or another eligible housing project.

(6) Upon request by a sponsoring jurisdiction, the department may assist the sponsoring jurisdiction with, or perform on behalf of the sponsoring jurisdiction, any duty required under this section.

SECTION 6. ORS 307.221 is amended to read:

307.221. (1)(a) The Housing and Community Services Department shall develop a program to make agency loans to sponsoring jurisdictions to fund project grants and project loans awarded under the sponsoring jurisdiction's project funding program adopted pursuant to ORS 307.214.

(b) The agency loans shall be interest free for the term set by the sponsoring jurisdiction under ORS 307.216.

(2) For each application approved under ORS 307.216 (5)(b), the Housing and Community Services Department shall:

(a) Enter into an agency loan agreement with the sponsoring jurisdiction for a payment in an amount equal to the total of:

(A) The agency loan proceeds in an amount equal to the project funding award for the application set under ORS 307.216 (3); and

(B) The administrative costs set forth in subsection (3) of this section; and

(b) Pay to the sponsoring jurisdiction the total amount set forth in paragraph (a) of this subsection out of the Housing Project Revolving Loan Fund established under ORS 307.237.

(3) The administrative costs referred to in subsection (2)(a)(B) of this section are:

(a) An amount not greater than five percent of the agency loan proceeds to reimburse the sponsoring jurisdiction for the costs of administering the project funding program, other than the costs of tax administration; and

(b) An amount equal to one percent of the agency loan proceeds to be transferred to the county in which the sponsoring jurisdiction is situated to reimburse the county for the costs of the tax administration of the project funding program by the county tax officers.

(4) The Housing and Community Services Department may:

(a) In order to maximize repayment and compliance with affordability requirements:

(A) Compromise, adjust or modify agency loans; and

(B) Adjust, modify, subordinate or release the terms of contracts, agreements or restrictions entered into in connection with agency loans.

(b) Assign any and all agency loan amounts made under this section to the Department of Revenue for collection as provided in ORS 293.250.

(5) The Housing and Community Services Department may:

(a) Consult with the Oregon Business Development Department about any of the powers and duties conferred on the Housing and Community Services Department by ORS 307.213 to 307.237; and

(b) Adopt any rule it considers necessary or convenient for the administration of ORS 307.213 to 307.237 by the Housing and Community Services Department.

SECTION 7. ORS 307.225 is amended to read:

307.225. (1) Upon entering into an agency loan agreement with the Housing and Community Services Department under ORS 307.221, a sponsoring jurisdiction shall offer a project funding agreement to each developer whose application for project funding was approved under ORS 307.216 (5)(b).

(2) The project funding agreement shall:

(a) Include a project grant award or project loan in the amount set under ORS 307.216 (3); and

(b) Contain terms that:

(A) Are required under ORS 307.213 to 307.237 or the ordinance or resolution adopted by the sponsoring jurisdiction pursuant to ORS 307.214.

(B) Do not conflict with ORS 307.213 to 307.237 or the ordinance or resolution adopted by the sponsoring jurisdiction pursuant to ORS 307.214.

[(3) Upon entering into a project funding agreement with a developer, a sponsoring jurisdiction shall adopt an ordinance or resolution setting forth the details of the eligible housing project that is the subject of the project funding agreement, including but not limited to:]

[(a) With respect to a project grant or a project loan:]

[(A) A description of the eligible housing project;]

[(B) An itemized description of the eligible costs;]

[(C) The amount and terms of the grant project award or project loan principal; and]

[(D) A statement declaring that the project funding has been awarded in response to the housing needs of communities within the sponsoring jurisdiction; and]

[(b) With respect to a project grant, written notice that the eligible housing project property is exempt from property taxation in accordance with ORS 307.227.]

(3)(a) Except as provided in paragraph (b) of this subsection, upon entering into a project funding agreement with a developer, a sponsoring jurisdiction shall adopt an ordinance or resolution setting forth the details of the eligible housing project that is the subject of the project funding agreement, including but not limited to:

(A) A description of the eligible housing project;

(B) A statement indicating whether the eligible housing project property is exempt from property taxation under ORS 307.227;

(C) An itemized description of the eligible costs;

(D) The amount and terms of the grant project award or project loan principal; and

(E) A statement declaring that the project funding has been awarded in response to the housing needs of communities within the sponsoring jurisdiction.

(b) A sponsoring jurisdiction is not required to adopt an ordinance or resolution under paragraph (a) of this subsection if:

(A) The ordinance or resolution adopted under ORS 307.214 delegates authority to review developer applications under ORS 307.216 to a designated authority;

(B) The sponsoring jurisdiction has agreed to repay the agency loan in accordance with ORS 307.223; and

(C) The eligible housing project property will not be exempt from property taxation under ORS 307.227.

(4) Unless otherwise specified in the project funding agreement, as soon as practicable after the ordinance or resolution required under subsection (3) of this section becomes effective, the sponsoring jurisdiction shall distribute the agency loan proceeds received from the department under ORS 307.221 (2)(a)(A) to the developer as the project grant moneys or project loan principal awarded under this section.

(5) The sponsoring jurisdiction shall forward to the tax officers of the county in which the eligible housing project is located a copy of the project funding agreement, the ordinance or resolution and any other material the sponsoring jurisdiction considers necessary for the tax officers to perform their duties under ORS 307.213 to 307.237 or the ordinance or resolution.

(6)(a)(A) Upon request, the department may assist *[the]* a sponsoring jurisdiction with, or perform on behalf of the sponsoring jurisdiction, any duty required under this section.

(B) Upon request, any city or county may assist a sponsoring jurisdiction with, or perform on behalf of the sponsoring jurisdiction, any duty required under this section or ORS 307.216.

(b) The department may take any action with respect to a city or county assisting a sponsoring jurisdiction under this subsection that it may take with respect to the sponsoring jurisdiction itself.

SECTION 8. ORS 307.227 is amended to read:

307.227. (1) Upon receipt of the copy of a project *[grant]* **funding** agreement and ordinance or resolution from the sponsoring jurisdiction under ORS 307.225 (5) **that grants exemption under this section to eligible housing project property**, the assessor of the county in which eligible housing project property is located shall:

- (a) Exempt the eligible housing project property in accordance with this section;
- (b) Assess and tax the nonexempt property in the tax account as other similar property is assessed and taxed; and
- (c) Submit a written report to the sponsoring jurisdiction setting forth the assessor's estimate of the amount of:
 - (A) The real market value of the exempt eligible housing project property; and
 - (B) The property taxes on the exempt eligible housing project property that would have been collected if the property were not exempt.
- (2)(a) The exemption shall first apply to the first property tax year that begins after completion of the eligible housing project to which the *[grant]* **project funding** relates.
- (b) The eligible housing project property shall be disqualified from the exemption on the earliest of:
 - (A) July 1 of the property tax year immediately succeeding the date on which the fee payment obligation under ORS 307.231 that relates to the eligible housing project, if any, is repaid in full;
 - (B) The date on which the annual fee imposed on the fee payer under ORS 307.231, if any, becomes delinquent;
 - (C) The date on which foreclosure proceedings are commenced as provided by law for delinquent nonexempt taxes assessed with respect to the tax account that includes the eligible housing project; or
 - (D) The date on which a condition specified in ORS 307.233 (1) occurs.
- (c) After the eligible housing project property has been disqualified from the exemption under this subsection, the property shall be assessed and taxed as other similar property is assessed and taxed.
- (3) For each tax year that the eligible housing project property is exempt from taxation, the assessor shall enter a notation on the assessment roll stating:
 - (a) That the property is exempt under this section; and
 - (b) The presumptive number of property tax years for which the exemption is granted, which shall be the term of the agency loan agreement relating to the eligible housing project set under ORS 307.216.

SECTION 9. ORS 307.229 is amended to read:

307.229. (1) Repayment of agency loans made under ORS 307.221 shall begin, in accordance with ORS 307.231, after completion of the eligible housing project funded by the project grant or project loan to which the agency loan relates, or after another date or other circumstances agreed to by the parties to a project funding agreement under ORS 307.223.

(2)(a) The sponsoring jurisdiction shall determine the date of completion of an eligible housing project.

(b)(A) If an eligible housing project is completed before July 1 of the assessment year, repayment shall begin with the property tax year that begins on July 1 of the assessment year.

(B) If an eligible housing project is completed on or after July 1 of the assessment year, repayment shall begin with the property tax year that begins on July 1 of the succeeding assessment year.

(c) After determining the date of completion under paragraph (a) of this subsection, the sponsoring jurisdiction shall notify the Housing and Community Services Department and the county tax officers of the determination.

(3)(a) [A] **An agency loan** shall remain outstanding until repaid in full.

(b) **An agency loan may be repaid at any time.**

(4) **Upon payment in full of an agency loan, the sponsoring jurisdiction may release or modify any affordability restrictions applicable to the eligible housing project property to which the agency loan relates.**

SECTION 10. ORS 307.231 is amended to read:

307.231. (1) Unless repayment of the agency loan made under ORS 307.221 has been otherwise provided for under ORS 307.223, the fee payer for eligible housing project property that has been granted exemption under ORS 307.227 shall pay an annual fee for the term that shall be the

presumptive number of property tax years for which the property is granted exemption under ORS 307.227 (3)(b).

(2)(a) The amount of the fee for the first property tax year in which repayment of the agency loan is due under ORS 307.229 (1) shall equal the total of:

(A) The portion of the increment determined under ORS 307.218 that is attributable to the eligible housing project property to which the fee relates; and

(B) The administrative costs described in ORS 307.221 (3) divided by the term **in years** of the project [*grant*] **funding** agreement entered into under ORS 307.225.

(b) For each subsequent property tax year, the amount of the fee shall be 103 percent of the amount of the fee for the preceding property tax year.

(3)(a) Not later than July 15 of each property tax year during the term of the fee obligation, the sponsoring jurisdiction shall certify to the assessor each fee amount that became due under this section on or after July 16 of the previous property tax year from fee payers with respect to eligible housing projects located in the sponsoring jurisdiction.

(b) The assessor shall place each fee amount on the assessment and tax rolls of the county and notify:

(A) The sponsoring jurisdiction of each fee amount and the aggregate of all fee amounts imposed with respect to eligible housing project property located in the sponsoring jurisdiction.

(B) The Housing and Community Services Department of each fee amount and the aggregate of all fee amounts with respect to all eligible housing project property located in the county.

(4)(a) The assessor shall include on the tax statement of each tax account that includes exempt eligible housing project property the amount of the fee imposed on the fee payer with respect to the eligible housing project property.

(b) The fee shall be collected and enforced in the same manner as ad valorem property taxes, including nonexempt taxes, are collected and enforced.

(5)(a) For each property tax year in which a fee is payable under this section, the treasurer shall:

(A) Estimate the amount of operating taxes as defined in ORS 310.055 and local option taxes as defined in ORS 310.202 levied by fire districts that would have been collected on eligible housing project property if the property were not exempt;

(B) Distribute out of the fee moneys the estimated amounts determined under subparagraph (A) of this paragraph to the respective fire districts when other ad valorem property taxes are distributed under ORS 311.395; and

(C) Transfer the net fee moneys to the [*Housing and Community Services*] department for deposit in the Housing Project Revolving Loan Fund established under ORS 307.237 in repayment of the loans to which the fees relate.

(b) Nonexempt taxes shall be distributed in the same manner as other ad valorem property taxes are distributed.

(6) Any person with an interest in the eligible housing project property on the date on which any fee amount becomes due shall be jointly and severally liable for payment of the fee amount.

(7) Any agency loan amounts that have not been repaid when the fee payer has discharged its obligations in full under this section remain the obligation of the sponsoring jurisdiction that obtained the agency loan from the department under ORS 307.221.

(8) Any fee amounts collected in excess of the agency loan amount shall be distributed in the same manner as other ad valorem property taxes are distributed.

SECTION 11. ORS 307.233 is amended to read:

307.233. (1)(a) A developer that received a project [*grant*] **funding** award under ORS 307.225 shall become liable for immediate payment of outstanding annual fee payments, if any, imposed under ORS 307.231 for the entire term of the fee if:

(A) The developer has not completed the eligible housing project within three years following the date on which the project [*grant*] **funding** moneys were distributed to the developer;

(B) The eligible housing project changes substantially from the project for which the developer's application was approved such that the project would not have been eligible for the project [grant] funding; or

(C) The developer has not complied with a requirement specified in the project [grant] funding agreement **or with associated affordability requirements and restrictions.**

(b) The sponsoring jurisdiction may, in its sole discretion, extend the date on which the eligible housing project must be completed.

[(2) If the sponsoring jurisdiction discovers that a developer willfully made a false statement or misrepresentation or willfully failed to report a material fact to obtain a project grant with respect to an eligible housing project, the sponsoring jurisdiction may impose on the developer a penalty not to exceed 20 percent of the amount of the project grant so obtained, plus any applicable interest and fees associated with the costs of collection.]

(2) A sponsoring jurisdiction may impose on a developer, homeowner or other project representative a penalty not to exceed 20 percent of the amount of the project funding obtained with respect to an eligible housing project, plus any applicable interest and fees associated with the costs of collection, upon discovery that the developer, homeowner or other project representative willfully made a false statement or misrepresentation or willfully failed to report a material fact:

(a) To obtain the project funding; or

(b) Relating to the compliance requirements associated with the eligible housing project.

(3) Any amounts imposed under subsection (1) or (2) of this section shall be a lien on the eligible housing project property and the nonexempt property in the tax account.

(4) The sponsoring jurisdiction shall provide written notice of any amounts that become due under subsections (1) and (2) of this section to the county tax officers and the Housing and Community Services Department.

(5)(a) Any and all amounts required to be paid under this section shall be considered to be liquidated and delinquent, and the Housing and Community Services Department shall assign such amounts to the Department of Revenue for collection as provided in ORS 293.250.

(b) Amounts collected under this subsection shall be deposited, net of any collection charges, in the Housing Project Revolving Loan Fund established under ORS 307.237.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS

SECTION 12. ORS 458.352 is amended to read:

458.352. (1) As used in this section:

(a) "Average income" means an income that complies with income restrictions determined at the advice and consent of the Oregon Housing Stability Council, but not to exceed the greater of 100 percent of the statewide or local area median income adjusted for household size as determined annually by the Housing and Community Services Department using United States Department of Housing and Urban Development information.

(b) "Manufactured dwelling park" has the meaning given that term in ORS 446.003.

(c) "Nonprofit corporation" means a corporation that is exempt from income taxes under section 501(c)(3) or (4) of the Internal Revenue Code as amended and in effect on December 31, 2016.

(2) The Housing and Community Services Department shall provide one or more loans to nonprofit corporations to create manufactured dwelling park preservation and development programs that invest in, and provide loans for, the preservation, development and expansion of affordable manufactured dwelling parks in this state, including through:

(a) The repair or reconstruction of parks destroyed by natural disasters; or

(b) The acquisition and development of land for parks or for the expansion of parks in areas that have been affected by a natural disaster.

(3) To be eligible for a loan under this section, a nonprofit corporation shall demonstrate to the satisfaction of the department that the nonprofit corporation:

(a) Is a community development financial institution, **or was certified on October 1, 2025, as a community development financial institution by the Community Development Financial Institutions Fund at the United States Department of the Treasury;**

(b) Is operating statewide to support investment in, and acquisition, renovation and construction of, affordable housing;

[(b)] (c) Has the ability and capacity to provide the services and reporting required of the program described in subsections (4) and (6) of this section; and

[(c)] (d) Meets other requirements established by the department regarding financial risk and availability or accessibility of additional resources.

(4) An eligible nonprofit corporation, with input from the department, shall develop a manufactured dwelling park development and preservation program that:

(a) Invests in, and loans funds to, other nonprofit corporations, housing authorities, manufactured dwelling park nonprofit cooperatives as defined in ORS 62.803, local units of government as defined in ORS 466.706, agencies as defined in ORS 183.310, or any entity in which a nonprofit corporation has a controlling share, to:

(A) Purchase or refinance manufactured dwelling parks that will maintain the parks as parks long term; or

(B) Construct, develop, expand, repair or reconstruct parks, including parks destroyed by natural disasters;

(b) Emphasizes, when providing loans under paragraph (a) of this subsection, the financing of parks whose residents are predominantly members of households with income less than average income; and

(c) Preserves the affordability of the park space rent to park tenants who are members of households with income less than average income.

(5) An eligible nonprofit corporation shall create a park development and preservation account to be used by the nonprofit corporation for the manufactured dwelling park preservation program and shall deposit the moneys loaned by the department into the account.

(6) An eligible nonprofit corporation shall ensure that all financial activities of the program are paid from and into the park development and preservation account created under subsection (5) of this section. Each nonprofit corporation shall report to the department no less than semiannually, showing the expenses and incomes of the park development and preservation account and the results of the manufactured dwelling park development and preservation program.

(7) A loan made by the department under this section:

(a) May require the nonprofit corporation to pay interest.

(b) May not require the nonprofit corporation to make any loan payments before the maturity date of the loan.

(c) Must have a maturity date of no later than September 15, 2036.

(d) May have its maturity date extended by the department.

(e) Shall have all or part of the unpaid balance forgiven by the department in an amount not to exceed the losses incurred on investments or loans made by the nonprofit corporation under subsection (4)(a) of this section.

(f) May include such agreements by the nonprofit corporation practical to secure the loan made by the department and to accomplish the purposes of the program described in subsection (4) of this section.

(8) The department or the State Treasurer shall deposit moneys received in servicing the loan into the General Housing Account of the Oregon Housing Fund created under ORS 458.620.

SECTION 13. The Housing and Community Services Department, Oregon Department of Administrative Services or Department of Justice shall amend the grant agreement with Network for Oregon Affordable Housing (NOAH) made under section 51, chapter 13, Oregon Laws 2023, to allow the grant and proceeds from the grant to be used for financing:

(1) Housing projects that will:

(a) Have an affordability term of no less than five years, notwithstanding section 51 (2)(a), chapter 13, Oregon Laws 2023.

(b) Be sold or rented as the primary residence for a household with an income less than or equal to 120 percent and greater than 60 percent of the area median income, as defined in ORS 456.270, notwithstanding section 51 (2)(b), chapter 13, Oregon Laws 2023.

(2) Not to exceed \$1,000,000 per eligible project, notwithstanding section 51 (3)(a), chapter 13, Oregon Laws 2023.

NOTE: Section 14 was deleted by amendment. Subsequent sections were not renumbered.

LAND CONSERVATION AND DEVELOPMENT COMMISSION ORDERS

SECTION 15. ORS 197.320 is amended to read:

197.320. The Land Conservation and Development Commission shall issue an order requiring a local government, state agency or special district to take action necessary to bring its comprehensive plan, land use regulation, limited land use decisions or other land use decisions or actions into compliance with the goals, acknowledged comprehensive plan provisions, land use regulations, housing production strategy or housing acceleration agreements if the commission has good cause to believe:

(1) A comprehensive plan or land use regulation adopted by a local government not on a compliance schedule is not in compliance with the goals by the date set in ORS 197.245 or 197.250 for such compliance.

(2) A plan, program, rule or regulation affecting land use adopted by a state agency or special district is not in compliance with the goals by the date set in ORS 197.245 or 197.250 for such compliance.

(3) A local government is not making satisfactory progress toward performance of its compliance schedule.

(4) A state agency is not making satisfactory progress in carrying out its coordination agreement or the requirements of ORS 197.180.

(5) A local government has no comprehensive plan or land use regulation and is not on a compliance schedule directed to developing the plan or regulation.

(6) A local government has engaged in a pattern or practice of decision-making that violates an acknowledged comprehensive plan or land use regulation. In making its determination under this subsection, the commission shall determine whether there is evidence in the record to support the decisions made. The commission shall not judge the issue solely upon adequacy of the findings in support of the decisions.

(7) A local government has failed to comply with a commission order entered under ORS 197.644.

(8) A special district has engaged in a pattern or practice of decision-making that violates an acknowledged comprehensive plan or cooperative agreement adopted pursuant to ORS 197.020.

(9) A special district is not making satisfactory progress toward performance of its obligations under ORS chapters 195, 197 and 197A.

(10) A local government's approval standards, special conditions on approval of specific development proposals or procedures for approval do not comply with ORS 197A.400 [(1) or (3)].

(11) A local government is not making satisfactory progress toward meeting its obligations under ORS 195.065.

(12) A local government within the jurisdiction of a metropolitan service district has failed to make changes to the comprehensive plan or land use regulations to comply with the regional framework plan of the district or has engaged in a pattern or practice of decision-making that violates a requirement of the regional framework plan.

(13) A city [with a population of 10,000 or greater, as defined in ORS 197A.015,] that:

(a) Has a pattern or practice of violating housing-related statutes or implementing policies that create unreasonable cost or delay to the production of housing [as described in ORS 197A.400 (1)];

- (b) Has a pattern or practice of creating adverse disparate impacts to state or federal protected classes or inhibiting equitable access to housing choice[, *as described in ORS 197A.100 (2)(b) to (d)*];
- (c) Has failed to enter into a housing acceleration agreement as required under ORS 197A.130 (6); or
- (d) Has materially breached a term of a housing acceleration agreement under ORS 197A.130 (8), including a failure to meet the timeline for performance under ORS 197A.130 (8)(a)(A).

BUILDING PLAN REVIEW

SECTION 16. ORS 455.628 is amended to read:

455.628. (1) The Department of Consumer and Business Services or a municipality administering and enforcing a building inspection program under ORS 455.148 or 455.150 may not require a plan review for one and two family dwellings [*that are of conventional light frame construction, as defined by the department by rule*], if:

(a) The plans for the dwelling are designed and stamped by a professional engineer registered under ORS 672.002 to 672.325 or an architect registered under ORS 671.010 to 671.220; and

(b) The engineer or architect is certified by the Director of the Department of Consumer and Business Services under ORS 455.720 as being qualified to examine one and two family dwelling plans.

(2) The department or municipality is exempt from liability for any damages arising from the nonperformance of a plan review pursuant to this section.

REVIEW OF HOUSING APPLICATIONS

SECTION 17. ORS 197A.400 is amended to read:

197A.400. (1)(a) Except as provided in subsection (3) of this section, a local government may adopt and apply only clear and objective standards, conditions and procedures regulating:

(A) The development of housing; and

(B) Tree removal [*codes*] related to the development of housing.

(b) The standards, conditions and procedures:

(A) May include, but are not limited to, one or more provisions regulating the density or height of a development.

(B) May not have the effect, either in themselves or cumulatively, of discouraging needed housing through unreasonable cost or delay.

(C) May be contained in a comprehensive plan, land use regulation or an ordinance relating to housing adopted by a city that adopts, including by reference, a model ordinance adopted by the Land Conservation and Development Commission that comports with any qualifications, conditions or applicability of the model ordinance.

(c) This subsection applies only within:

(A) An urban growth boundary;

(B) An unincorporated community designated in a county's acknowledged comprehensive plan after December 5, 1994;

(C) Nonresource land; or

(D) An area zoned for rural residential use as defined in ORS 215.501.

(2) The provisions of subsection (1) of this section do not apply to:

(a) An application or permit for residential development in an area identified in a formally adopted central city plan, or a regional center as defined by Metro, in a city with a population of 500,000 or greater.

(b) An application or permit for residential development in historic areas designated for protection under a land use planning goal protecting historic areas.

(3) In addition to an approval process for needed housing based on clear and objective standards, conditions and procedures as provided in subsection (1) of this section, a local government may adopt and apply an alternative approval process for applications and permits for residential development based on approval criteria that are not clear and objective if:

(a) The applicant retains the option of proceeding under the approval process that meets the requirements of subsection (1) of this section;

(b) The approval criteria for the alternative approval process comply with applicable statewide land use planning goals and rules; and

(c) The approval criteria for the alternative approval process authorize a density at or above the density level authorized in the zone under the approval process provided in subsection (1) of this section.

(4) Subject to [subsection (1)] **subsections (1) and (5)** of this section, this section does not infringe on a local government's prerogative to:

(a) Set approval standards under which a particular housing type is permitted outright;

(b) Impose special conditions upon approval of a specific development proposal; or

(c) Establish approval procedures.

(5) For applications subject to subsection (1) of this section, the local government:

(a) May provide notice of the application only to owners of record of property on the most recent property tax assessment roll where such property is located within 100 feet, or within 500 feet for developments of 20 units or more, of the property that is the subject of the notice;

(b) May not require a public hearing prior to making a decision on the application; and

(c) May provide an opportunity for a local appeal only to the applicant.

(6) Notwithstanding ORS 197.825, only the applicant may appeal a decision made under subsection (5) of this section to the Land Use Board of Appeals.

SECTION 18. The amendments to ORS 197A.400 by section 17 of this 2026 Act become operative on July 1, 2026.

NOTE: Section 19 was deleted by amendment. Subsequent sections were not renumbered.

RESIDENTIAL TENANCIES IMPACTED BY DISASTERS

SECTION 20. Section 21 of this 2026 Act is added to and made a part of ORS 90.100 to 90.465.

SECTION 21. If a tenancy is affected by a natural disaster, as defined in ORS 197A.440, unless the parties agree otherwise following the natural disaster:

(1) For a dwelling unit that is destroyed, the tenancy is immediately terminated and the parties are not further obligated under the rental agreement or this chapter, except that:

(a) The landlord shall, pursuant to ORS 90.300, return to the tenant any deposit and prepaid rent, including prorated rent from the date of the natural disaster.

(b) Unless a tenant is responsible for the natural disaster, the tenant is not responsible for cleanup of the premises.

(c) After the abatement of the emergency, the landlord shall notify the tenant and provide the tenant an opportunity to return to the premises to search for valuables. The landlord may require the tenant to sign a release of liability related to the tenant's presence at the premises.

(2) If an occupant or tenant remains in the dwelling unit following termination of the tenancy under subsection (1) of this section, the landlord may issue a termination notice in the manner provided by ORS 90.380 (5)(b).

(3) A tenant does not owe rent while the dwelling unit is inaccessible due to the natural disaster or the destruction of the dwelling unit. A dwelling unit is considered inaccessible while a governmental agency has posted the dwelling unit as unsafe or unlawful to occupy.

(4) This section does not apply to rental agreements subject to ORS 90.505 to 90.850.

USE OF STATE PROPERTY FOR HOUSING

SECTION 22. ORS 270.010 is amended to read:

270.010. *[(1) It shall be]* **It is** the policy of the State of Oregon to hold in state ownership no more state-owned real property than is necessary to conduct official business, with allowance for reasonably foreseeable demands of the future. The acquisition, sale, exchange, lease, retention and management of state-owned real property shall be subject to a statewide plan that will encourage the transfer through sale or lease of state-owned real property already in state ownership to private ownership and use so as to minimize state investment in such land and place such land on the tax rolls.

[(2) In transferring state-owned real property through sale or lease, to the extent consistent with applicable trust responsibilities, the state policy shall be to give right of first refusal to purchase in the following order:]

[(a) To the lessee of the land.]

[(b) Where the intended activity or use is similar to that of adjacent properties within the region:]

[(A) To adjacent landowners.]

[(B) To residents within the region.]

[(C) To persons outside the region.]

SECTION 23. ORS 270.100 is amended to read:

270.100. (1)*[(a)]* Before offering for sale any real property or equitable interest in real property that the state owns, the state agency acting for the state in the sales transaction shall report to the Oregon Department of Administrative Services that the state agency intends to sell or transfer the real property or the equitable interest. The department, or an agency the department specifically designates, shall notify other state agencies authorized to own real property of the intended sale or transfer to determine whether acquiring the real property or interest in the real property would be advantageous to another state agency.

[(b)(A)] **(2) To the extent consistent with applicable trust responsibilities,** the department shall give the *[first opportunity after other state agencies]* **opportunity** to acquire, purchase, exchange or lease real property or an interest in real property that the State of Oregon disposes of or sells to **the following, in order of priority:**

(a) Other state agencies.

(b) Any lessee of the land.

[(i)] **(c) The following entities, in order of priority,** on the condition that the entities will develop housing on the real property *[that will be occupied by families and individuals with an income no greater than 80 percent of the median family income for the county in which the real property is located]* **only for households whose income is not greater than 120 percent of the area median income:**

[(I) Nonprofit organizations; and]

[(II)] **(A) Indian tribes, as defined in ORS 97.740[; and].**

[(ii)] **(B) Political subdivisions, as defined in ORS 271.005.**

(C) Nonprofit organizations or housing authorities as defined in ORS 456.005.

(D) Any person.

(d) The adjacent property owner, where the intended activity or use is similar to that of adjacent properties within the region.

(e) Political subdivisions, as defined in ORS 271.005.

[(B) The state agency responsible for selling or transferring the property or the equitable interest may require at the time of] **Upon the sale or transfer, the department may require** that a political subdivision *[must]:*

(A) Use *[state real property or an equitable interest in real property sold or transferred to the political subdivision]* **the real property** for a public purpose or benefit, *[and that the political subdivision].*

(B) May not resell the real property or the equitable interest to a private purchaser.

(f) The entities listed under paragraph (c) of this subsection, in order of priority, on the condition that the entities will develop housing on the real property without regard to the affordability of the housing.

~~[(c)]~~ **(3)** If a state agency that intends to sell or transfer real property or an equitable interest in real property has not disposed of the real property or the equitable interest under ~~[paragraph (a) or (b) of this]~~ subsection **(2)(a) or (b) of this section**, the state agency shall cause the real property to be appraised by one or more competent and experienced appraisers in accordance with rules the department adopts. Except as provided in ORS 273.825, if the property has an appraised value exceeding \$5,000, the property or an equitable interest in the property may not be sold to any private person except after notice calling for such proposals as set forth in ORS 270.130.

~~[(d)]~~ **(4)** The department shall adopt rules to carry out the provisions of this section.

~~[(2)]~~ **(5)** Before a state agency acquires any real property or interest in real property, except for highway right of way that the Department of Transportation acquires, park properties that the State Parks and Recreation Department acquires and property within the approved projected campus boundaries for public universities listed in ORS 352.002, the state agency shall report to the Oregon Department of Administrative Services that the state agency intends to acquire the real property or the interest in real property. The department shall notify other state agencies that own land that the state agency intends to acquire real property or an interest in real property to determine whether another state agency desires to sell or transfer property that would meet the needs of the acquiring agency. In accordance with rules the Oregon Department of Administrative Services adopts, if no other state agency desires to sell or transfer property that would meet the needs of the agency that intends to acquire real property or an interest in real property, the agency may acquire the real property or interest in real property, consistent with applicable provisions of law.

~~[(3)]~~ **(6)** Before any terminal disposition of real property or an interest in real property, the state agency acting for the state in the transaction must secure approval of the transaction from the Oregon Department of Administrative Services.

~~[(4)]~~ **(7)** Subsection ~~[(3)]~~ **(6)** of this section does not apply to terminal disposition of the following real property:

- (a) Property that the State Department of Fish and Wildlife controls;
- (b) State forestlands that the State Forestry Department controls;
- (c) Property that the Department of Transportation controls;
- (d) Property that the Department of State Lands controls;
- (e) Property that public universities listed in ORS 352.002 control;
- (f) Property that the legislative branch of state government controls;
- (g) Property that the judicial branch of state government controls; and
- (h) Property that the State Parks and Recreation Department controls.

~~[(5)]~~ **(8)** Notwithstanding the provisions of subsection ~~[(4)]~~ **(7)** of this section, prior approval by the Oregon Department of Administrative Services is required for the terminal disposition of public land for less than the fair market value of the public land.

~~[(6)]~~ **(9)** The provisions of ORS 184.634, 270.005 to 270.015, 270.100 to 270.190, 273.416, 273.426 to 273.436, 273.551 and 308A.709 (1)(a) to (d) do not apply to:

(a) A home or farm that the Department of Veterans' Affairs acquires or sells under ORS 88.720, 406.050, 407.135, 407.145, 407.375 or 407.377.

(b) Real property that the Housing and Community Services Department acquires or sells under the provisions of ORS 456.515 to 456.828 or ORS chapter 458.

(c) Real property that the Oregon Health Authority or the Department of Human Services acquires or sells under ORS 410.075 or 416.340.

SECTION 24. ORS 270.030 is amended to read:

270.030. (1) Notwithstanding ORS ~~[270.010 (2) or]~~ 270.100 to 270.190, a state agency may transfer, convey, donate, exchange or lease to an eligible Indian tribe, as defined in ORS 307.181, any real property or interest in real property owned by the agency at such price and on such terms as the agency may determine.

(2) Notwithstanding ORS 273.775 to 273.790, an agency disposing of real property or interest in real property under this section also may convey the mineral and geothermal resource rights in the real property to the Indian tribe.

URBAN RESERVES

SECTION 25. (1) On or before January 1, 2027, the Land Conservation and Development Commission shall amend its rules related to the prioritization of lands being added to an urban reserve in order to allow local governments to assign lower priority to land for which the provision of future urban services, as defined in ORS 195.065, is not reasonable or cost effective due to existing topographical or other physical constraints including built constraints.

(2) Notwithstanding any provision in ORS 183.325 to 183.410, rules adopted under this section shall be adopted without an advisory committee.

RESIDENTIAL DEVELOPMENT ON COMMERCIAL LANDS

SECTION 26. ORS 197A.445 is amended to read:

197A.445. (1) As used in this section:

(a) “Affordable housing” means residential property:

(A) In which:

(i) Each unit on the property is made available to own or rent to families with incomes of 80 percent or less of the area median income;

(ii) The average of all units on the property is made available to families with incomes of 60 percent or less of the area median income; or

(iii) A manufactured dwelling park is operated that serves only households with incomes of 120 percent or less of the area median income; and

(B) Whose affordability, including affordability under a covenant as described in ORS 456.270 to 456.295, is enforceable for a duration of no less than 30 years.

(b) “Area median income” means the median income for the metropolitan statistical area in which housing is located as determined by the Housing and Community Services Department and adjusted for household size based on information from the United States Department of Housing and Urban Development.

(2) A local government shall allow affordable housing if the proposed affordable housing is on property that is:

(a) Owned by:

(A) A public body, as defined in ORS 174.109;

(B) A nonprofit corporation that is organized as a religious corporation;

(C) A nonprofit corporation that is organized as a public benefit corporation whose primary purpose is the development of affordable housing;

(D) A housing authority, as defined in ORS 456.005; or

(E) A manufactured dwelling park nonprofit cooperative, as defined in ORS 62.803; or

(b) Zoned:

(A) For commercial uses;

(B) To allow religious assembly; or

(C) As public lands.

(3) A local government shall allow the conversion of a building or a portion of a building from a commercial use to a residential use.

(4) Subsections (2) and (3) of this section:

(a) Prohibit the local government from requiring a zone change or conditional use permit before allowing the use.

(b) Do not trigger any requirement that a local government consider or update an analysis as required by a statewide planning goal relating to economic development.

(c) Except as provided in paragraph (d) of this subsection, do not apply on lands where the local government determines that:

(A) The development on the property cannot be adequately served by water, sewer, storm water drainage or streets, or will not be adequately served at the time that development on the lot 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 land use planning goals relating to:

(i) Natural disasters and hazards; or

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

(d) Do apply to property described in paragraph (c)(C) and (D)(i) of this subsection if more than 60 percent of the lands within the urban growth boundary that the property is within are located within a tsunami inundation zone or if more than 30 percent of the lands within the urban growth boundary that the property is within are located within a 100-year floodplain.

(5) The development of housing under subsection (2) of this section may occur only:

(a) Within an urban growth boundary; and

(b) On lands zoned to allow for industrial uses only if the property is:

(A) Publicly owned;

(B) Adjacent to lands zoned for residential uses or schools; and

(C) Not specifically designated for heavy industrial uses.

(6) The development of housing under subsection (3) of this section:

(a) Applies only within an urban growth boundary of a city with a population of 10,000 or greater;

(b) May not occur on lands zoned to allow industrial uses;

(c) May require the payment of a system development charge as defined in ORS 223.299 only if:

(A) The charge is calculated pursuant to a specific adopted policy for commercial to residential conversions adopted on or before December 31, 2023; or

(B) The charge is for water or wastewater and includes an offset for at least 100 percent of the water or wastewater system development charges paid when the building was originally constructed; and

(d) May not be subject to enforcement of any land use regulation that establishes a minimum number of parking spaces that is greater than the lesser of:

(A) The amount that may be required for the existing commercial use; or

(B) The amount that may be required in lands zoned for residential uses that would allow the converted development.

(7) The development of housing allowed under subsection (4)(d) of this section may only occur:

(a) Within an urban growth boundary located no more than 10 miles from the Pacific Ocean;

(b) In areas that require compliance with minimum federal regulations under the National Flood Insurance Program or with local floodplain development regulations adopted by the applicable local government, provided that the local regulations are equal to or more stringent than the minimum federal regulations;

(c) In locations that do not include floodways or other areas with higher risks of greater water velocity and debris flow;

(d) In communities with emergency response, evacuation and post-disaster plans that have been updated for the housing development; and

(e) In areas that are not public parks.

(8) A local government may prohibit affordable housing or require a zone change or conditional use permit to develop affordable housing in areas described in subsection (4)(d) of this section.

(9)(a) An applicant who applies to develop affordable housing under this section within a planned mixed-use development shall, if the development would cause the amount of lands available for commercial uses within the planned mixed-use development to be reduced to less than 80 percent of the amount in the adopted planned mixed-use development, amend the planned mixed-use development to allow an additional area not smaller than the proposed housing development.

(b) As used in this subsection, “planned mixed-use development” means an area of land:

(A) Larger than 10 acres; and

(B) Subject to a land use approval or binding development agreement adopted by the local government that establishes areas or minimum acreages for commercial uses and includes residential or other uses.

[(9)] (10) A local government shall approve an application at an authorized density level and authorized height level, as defined in ORS 227.175 (4), for the development of affordable housing, at the greater of:

(a) Any local density bonus for affordable housing; or

(b) Without consideration of any local density bonus for affordable housing:

(A) For property with existing maximum density of 16 or fewer units per acre, 200 percent of the existing density and 12 additional feet;

(B) For property with existing maximum density of 17 or more units per acre and 45 or fewer units per acre, 150 percent of the existing density and 24 additional feet; or

(C) For property with existing maximum density of 46 or more units per acre, 125 percent of the existing density and 36 additional feet.

[(10)(a)] (11)(a) Subsection **[(9)] (10)** of this section does not apply to housing allowed under subsection (2) of this section in areas that are not zoned for residential uses.

(b) A local government may reduce the density or height of the density bonus allowed under subsection **[(9)] (10)** of this section as necessary to address a health, safety or habitability issue, including fire safety, or to comply with a protective measure adopted pursuant to a statewide land use planning goal. Notwithstanding ORS 197.350, the local government must adopt findings supported by substantial evidence demonstrating the necessity of this reduction.

TECHNICAL FIXES

SECTION 27. ORS 92.031 is amended to read:

92.031. (1) As used in this section, “middle housing land division” means a partition or subdivision of a lot or parcel on which the development of middle housing is allowed under ORS 197A.420 (2) or (3) or 197A.421.

(2) A city or county shall approve a tentative plan for a middle housing land division if the application includes:

(a) Separate utilities, other than water or wastewater, for each dwelling unit;

(b) A proposal for development of middle housing that is in compliance or must comply with the Oregon residential specialty code and land use regulations under ORS 197A.420 (5) that are applicable to the original lot or parcel and which may consist of:

(A) A single duplex, triplex, quadplex, cottage cluster or structure containing townhouses;

(B) Additional units as allowed by ORS 197A.421 (3); and

(C) Retained or rehabilitated existing units allowed under ORS 197A.420 (4), if any;

(c) Proposed easements necessary for each dwelling unit on the plan for:

(A) Locating, accessing, replacing and servicing all utilities;

(B) Pedestrian access from each dwelling unit to a private or public road;

(C) Any common use areas or shared building elements;

(D) Any dedicated driveways or parking; and

(E) Any dedicated common area;

(d) Exactly one dwelling unit on each resulting lot or parcel, except for:

- (A) Lots, parcels or tracts used as common areas; or
 - (B) Lots or parcels with a detached single-unit dwelling and accessory dwelling unit or a duplex as allowed under ORS 197A.420 (4); and
 - (e) Evidence demonstrating how buildings or structures on a resulting lot or parcel will comply with applicable building codes provisions relating to new property lines and, notwithstanding the creation of new lots or parcels, how structures or buildings located on the newly created lots or parcels will comply with the Oregon residential specialty code.
- (3) A city or county may add conditions to the approval of a tentative plan for a middle housing land division to:
- (a) Subject to subsection (6) of this section, prohibit the further division of the resulting lots or parcels.
 - (b) Require that a notation appear on the final plat indicating that the approval was given under this section.
 - (4) In reviewing an application for a middle housing land division, a city or county:
 - (a) Shall apply the procedures applicable to an expedited land division under ORS 197A.140, if requested by the applicant and without regard to the criteria in ORS 197A.142 (1).
 - (b) May require street frontage improvements where a resulting lot or parcel abuts the street consistent with land use regulations implementing ORS 197A.420.
 - (c) May not subject an application to approval criteria except as provided in this section, including that a lot or parcel require driveways, vehicle access, parking or minimum or maximum street frontage.
 - (d) May not subject the application to procedures, ordinances or regulations adopted under ORS 92.044 or 92.046 that are inconsistent with this section or, only if requested by the applicant, ORS 197A.140.
 - (e) Shall allow the submission of an application for a tentative plan for a middle housing land division before, after or at the same time as the submission of an application for building permits for the middle housing.
 - (f) May require the dedication of right of way if the original parcel did not previously provide a dedication.
 - (g) May require separate water and wastewater utilities for each dwelling unit.
 - (h) Shall allow any existing units allowed under ORS 197A.420 (4) to be considered a single middle housing unit and allow for the unit to be allocated its own lot or parcel by the division.
 - (5) The type of middle housing developed on the original parcel is not altered by a middle housing land division.
 - (6) Notwithstanding ORS 197A.425 (1) and subsection (4)(d) and (e) of this section, a city or county may prohibit or add approval criteria to the allowance of a new accessory dwelling unit on, or a subsequent middle housing land division of, a lot or parcel resulting from a middle housing land division:
 - (a) To the extent allowed under this section and ORS 197A.420; and
 - (b) Provided that the middle housing land division lots or parcels may be used to create housing that is at or above the minimum density for the zoning of the land.
 - (7) Notwithstanding any other provision of ORS 92.010 to 92.192, within the same calendar year as an original partition that was not a middle housing land division, a city or county may allow one or more of the resulting vacant parcels to be further partitioned into not more than three parcels through a middle housing land division.
 - (8) The tentative approval of a middle housing land division is void if and only if a final subdivision or partition plat is not approved within:
 - (a) Three years [of] **following** the tentative approval; **or**
 - (b) **A period equal to that allowed by the city or county for the plat or plan that is submitted concurrently with the division as described in ORS 92.044.**
 - (9) Nothing in this section prohibits a city or county from requiring a final plat before issuing building permits.

SECTION 28. ORS 197A.140 is amended to read:

197A.140. Notwithstanding any other requirement applicable to a land use decision under ORS chapter 197 or 197A, for an application that is reviewed as an expedited land division based on the request of the applicant:

(1) A decision is not subject to the requirements of ORS 197.797.

(2) A local government:

(a) Shall make a decision to approve or deny the application within 63 days of receiving a completed application as described in ORS [215.246] **215.427** or 227.178, based on whether the application satisfies the substantive requirements of the applicable land use regulations. An approval may include conditions to ensure that the application meets the applicable land use regulations.

(b) May not hold a hearing on the application or allow any third party to intervene to oppose the application.

(c) Shall issue a written determination of compliance or noncompliance with applicable land use regulations that includes a summary statement explaining the determination. The summary statement may be in any form reasonably intended to communicate the local government's basis for the determination. The determination must include an explanation of the applicant's right to appeal the determination under ORS 197.830 to 197.855.

(d) Shall provide notice of the decision to the applicant but may not require that notice be given to any other person.

(e) May assess an application fee calculated to recover the estimated full cost of processing an application based on the estimated average cost of such applications. Within one year of establishing a fee under this section, the city or county shall review and revise the fee, if necessary, to reflect actual experience in processing expedited land decisions.

(3) Only the applicant may appeal an expedited land division made under this section.

SECTION 29. Section 22, chapter 476, Oregon Laws 2025, is amended to read:

Sec. 22. (1) On or before January 1, 2028, the Land Conservation and Development Commission shall adopt rules that must include:

(a) Prohibiting or restricting siting and design standards that prevent or discourage, or have the effect of preventing or discouraging, the siting of middle housing that is manufactured, site-built or prefabricated;

(b) Establishing parameters on unreasonable cost or delay for siting and design standards for accessory dwelling units and single room occupancies under standards allowed under ORS 197A.425 and 197A.430;

(c) Regulating cottage clusters for the purposes of incentivizing the provision of smaller, less expensive housing, shared community amenities and other public benefits and including regulations that implement the term "small footprint or floor area" as used within the definition of cottage clusters in ORS 197A.420;

(d) Amending siting and design parameters for middle housing types;

(e) Amending permissible discretionary criteria applied by local government in evaluating housing under ORS 197A.400 (3);

(f) Developing model system development charges for residential development types for optional adoption or incorporation by local governments; and

(g) Establishing procedures to estimate the reasonable zoned housing capacity of an area as part of an inventory of buildable lands or housing capacity under ORS 197A.270, 197A.280 and 197A.350.

(2) In adopting rules under this section, the commission shall:

(a) Emphasize improving the efficiency of the development process with a focus on increasing housing production, availability and affordability, especially that of middle housing, accessory dwelling units and single room occupancies.

(b) To the extent practicable, implement recommendations in the reports produced under section 5 (1) to (3), chapter 110, Oregon Laws 2024.

(c) Implement the principles in ORS 197A.025.

(d) Adopt operative and applicable dates for the rules, subject to section 3, chapter 639, Oregon Laws 2019.

[(e)] (3) **The Department of Land Conservation and Development shall** provide a report on or before July 1, 2028, to the interim committees of the Legislative Assembly relating to land use, in the manner provided in ORS 192.245, on the feasibility and advisability of providing safe harbor protections for cities that use the commission’s model system development charges under subsection (1)(f) of this section or otherwise incentivizing the use of the models.

CAPTIONS

SECTION 30. The unit captions used in this 2026 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 2026 Act.

EFFECTIVE DATE

SECTION 31. This 2026 Act takes effect on the 91st day after the date on which the 2026 regular session of the Eighty-third Legislative Assembly adjourns sine die.

Passed by House February 18, 2026

Received by Governor:

Repassed by House March 5, 2026

.....M.,....., 2026

Approved:

.....
Timothy G. Sekerak, Chief Clerk of House

.....M.,....., 2026

.....
Julie Fahey, Speaker of House

.....
Tina Kotek, Governor

Passed by Senate March 4, 2026

Filed in Office of Secretary of State:

.....M.,....., 2026

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Rob Wagner, President of Senate

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Tobias Read, Secretary of State