

## HB 2984 A STAFF MEASURE SUMMARY

### Senate Committee On Housing and Development

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**Prepared By:** Kevin Rancik, LPRO Analyst

**Meeting Dates:** 4/12, 4/26

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#### WHAT THE MEASURE DOES:

Requires local governments to allow conversion of a building from commercial to residential use without requiring a zone change or conditional use permit. Clarifies housing developed under Act may occur only within an urban growth boundary for cities with populations of 10,000 or greater, and not on lands zoned for heavy industrial use. Allows local governments to require payment of system development charge (SDC) if charge is based on specific commercial to residential conversion policy adopted by a local government on or before December 31, 2023; or is for water or wastewater and offset by any SDCs paid when building was originally constructed. Prohibits enforcement of parking minimums greater than those required for existing commercial or residential use.

*FISCAL: Has minimal fiscal impact*

*REVENUE: No revenue impact*

*House Vote: Ayes, 35; Nays 20*

#### ISSUES DISCUSSED:

- Potential demand on water and wastewater infrastructure
- Consideration of incentives for housing specific to seniors or veterans
- Availability of data measuring effect of prior legislation on conversions for affordable housing
- Application of excise taxes by districts unable to levy system development charges
- Clarification of existing building conversion versus new construction on commercial land

#### EFFECT OF AMENDMENT:

No amendment.

#### BACKGROUND:

Shifts toward online shopping in the retail industry, and the advancement of remote work during the COVID-19 pandemic, have played roles in higher-than-normal vacancy rates for commercial properties. In 2022, downtown Portland's office vacancy rate reached 27%. Meanwhile, housing underproduction has led to low vacancy rates and increasing housing costs, with the Department of Land Conservation and Development reporting Oregon needs more than 550,000 new housing units across income levels to accommodate 20 years of population growth and account for current underproduction.

Conversions of surplus commercial property to residential use can be expensive, with seismic upgrades and system development charges (SDCs) adding to the cost. SDCs are one-time impact fees on new development intended to help local governments fund infrastructure improvements related to water supply, treatment, and distribution; waste water collection, treatment, and disposal; drainage and flood control; transportation; or parks and recreation.

House Bill 2984 A requires local governments to allow the conversion of a building from commercial use to residential use without requiring a zone change or conditional use permit if the property is located within the local government's urban growth boundary and meets certain conditions. The measure specifies when local governments can impose certain system development charges or parking minimums for commercial to residential conversions.