



City of McMinnville
Planning Department
231 NE Fifth Street
McMinnville, OR 97128
(503) 434-7311

www.mcminnvilleoregon.gov

STAFF REPORT

DATE: October 26, 2021
TO: Mayor and City Councilors
FROM: Tom Schauer, Senior Planner
SUBJECT: Ordinance No. 5105 - Docket G 2-21 – Housing-Related Amendments

STRATEGIC PRIORITY & GOAL:



HOUSING OPPORTUNITIES (ACROSS THE INCOME SPECTRUM)
Create diverse housing opportunities that support great neighborhoods.

OBJECTIVE/S: Collaborate to improve the financial feasibility of diverse housing development opportunities

Report in Brief:

This action is the consideration of Ordinance No. 5105, amending the McMinnville Municipal Code (MMC), Title 17 “Zoning” to housing opportunities and remove regulatory barriers associated with the provision of housing in the city center. This is a legislative action, recommended by the Planning Commission.

Specifically, Ordinance No. 5105 amends:

- Chapter 17.33, C-3 General Commercial Zone
- Chapter 17.54, General Regulations
- Chapter 17.60, Off-Street Parking and Loading
- Chapter 17.63, Nonconforming Uses

And adds:

- Chapter 17.66, City Center Housing Overlay Zone

The proposed amendments address three main topics: (a) add provisions allowing existing single-family dwellings, existing duplexes, and existing or new accessory dwellings which are accessory to existing single-family dwellings, as permitted uses in the C-3 zone subject to certain parameters, (b) establish a City Center Housing Overlay Zone and associated provisions, and (c) add provisions allowing temporary use of an RV as a residence during construction of a permanent dwelling(s) on the same lot. The proposed amendments are attached as **Exhibit B** to Ordinance No. 5105, which is attached as **Attachment 3**.

Background:

The proposed draft reflects the recommendation of the Planning Commission, which occurred following their August 19, 2021 work session and September 16, 2021 public hearing. (See **Attachment 2**)

In addition, staff is recommending one additional amendment discussed below.

Staff is also proposing supplemental findings to further elaborate on consistency with applicable state law, with the findings incorporated into the draft decision document.

Below is a summary of each of the three major topics. A summary of the proposed amendments by Chapter is attached as **Attachment 1**.

1. **Add existing single-family dwellings, existing duplexes, and existing or new accessory dwellings which are accessory to existing single-family dwellings, as a permitted use in the C-3 zone.** The C-3 commercial zone doesn't allow single-family dwellings or duplexes as permitted uses, since the primary purpose of the zone is to provide land for commercial use at appropriate locations. The C-3 zone does also allow multi-family development as a permitted use. If new single-family dwellings and duplexes were included as permitted uses in the C-3 zone, that would allow for development which is inconsistent with the purpose of the C-3 zone, opening the door to proliferation of lower-density housing types and subdivisions on C-3 zoned land.

Existing single-family dwellings and duplexes in the C-3 zone are therefore currently classified as nonconforming uses. As such, they are subject to the limitations for nonconforming uses. Nonconforming uses can continue as long as the use continues to operate without being discontinued for more than a year, but they can't be expanded, except to a limited extent within the existing building lines.

The City has recently received several requests for expansion of existing single-family dwellings within the C-3 zone to add on a room, and these requests have been subject to the limitations which apply to nonconforming uses.

By reclassifying existing single-family dwellings and duplexes as a permitted use subject to certain parameters, the existing dwellings could expand on-site and operate in the same manner as permitted uses, as long as the use is continued. This approach would ensure new single-family dwelling and duplexes don't increase in number or on additional lots in the C-3 zone. For purposes of determining continuation of use for single-family dwellings, the proposal would also allow for short-term rentals and owner-occupied short-term rentals to be considered a continuation of residential use.

One item which wasn't discussed with the Planning Commission is whether an existing or new ADU which is accessory to an existing single-family dwelling should also be included as a permitted use in the C-3 zone when located on the same lot as the existing single-family dwelling. Staff also recommends that this be permitted and incorporated into the proposed amendments, as presented in the draft. The approach of allowing existing single-family dwellings and duplexes as a permitted use subject to the specified parameters, may necessitate this, and in any case, is consistent with the intent of the proposed amendments. ORS 197.312(5)(a) requires that, "A city with a population greater than 2,500 or a county with a population greater than 15,000 shall allow in areas within the urban growth boundary that are zoned for detached single-family dwellings the development of at least one accessory dwelling unit for each detached single-family dwelling, subject to reasonable local regulations relating to siting and design." Including ADUs when accessory to an existing single-family dwelling as described above would be consistent with this provision.

These existing residential uses aren't inherently in conflict with other permitted uses in the C-3 zone, as typically is the case with other types of nonconformity uses. The proposed

amendment is intended to provide greater “fine-grained” refinement in how this use is regulated by differentiating between existing single-family dwellings/duplexes and new single-family dwellings/duplexes within the C-3 zone. This would allow the existing uses to continue with less restriction, while addressing the purpose of the zone by preventing proliferation of new low-density residential development within the C-3 zone.

Of different available options, this approach is preferred to other actions such as lot-by-lot spot rezones that could be inconsistent with the long-term development goals of the area. However, some individual properties might also be candidates for rezoning to other zones such as the O-R office-residential zone, but the issue with this proposed amendment is slightly broader than would be addressed by individual rezones. This amendment would not preclude a property owner from applying for a rezone where something like the O-R zone could be appropriate.

2. **Establish a City Center Housing Overlay Zone and associated provisions.** On May 11, 2021, City Council adopted the City Center Housing Strategy Final Report by Resolution 2021-27. This was the culmination of work through a public process that began in 2019, guided by the McMinnville Urban Renewal Advisory Committee (MURAC) and an 18-member Project Advisory Committee, with a recommendation from both entities to City Council.

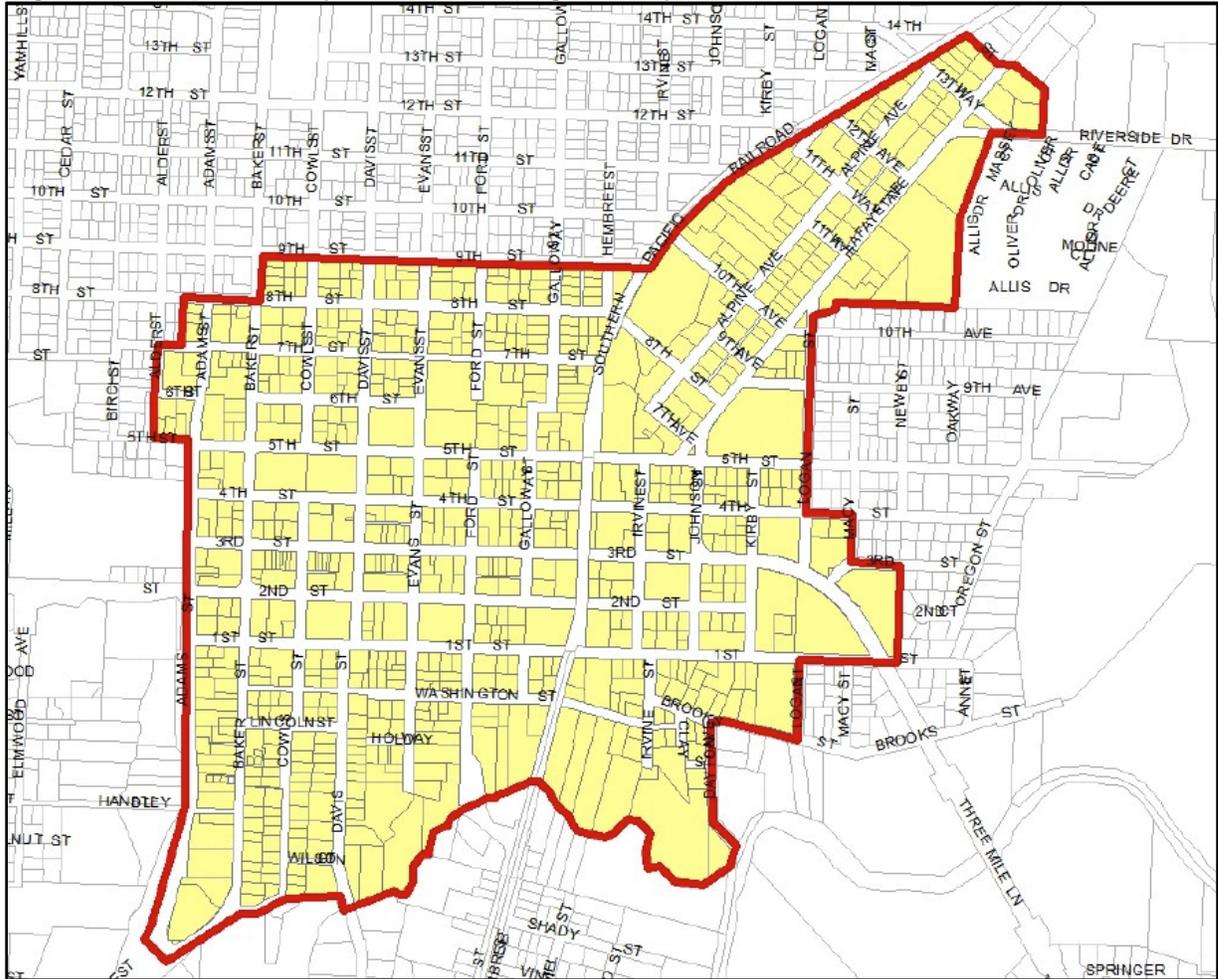
The purpose of the project was to create a strategy to potentially increase and incentivize more housing within the city center area and the surrounding higher density residential zones where there may be capacity for additional housing opportunities

The adopted resolution and final report are available at:

https://www.mcminnvilleoregon.gov/sites/default/files/fileattachments/ordinance/22004/res_2021-27.pdf

The project included a study area boundary. The boundary for the proposed Overlay Zone generally follows the study area boundary, but doesn't include areas with lower-density residential zoning on the southeastern fringes of the study area and adds a commercial block on the southwest side, including property where a multi-family residential structure was damaged by fire. Some lower density R-2 zoned residential properties on the east side of the study area are still included within the proposed boundary because they are uniquely located within the Urban Renewal Area and Northeast Gateway Overlay Zone. The area includes the School District administrative offices and nearby properties. The Planning Commission discussed the boundary and this issue and recommended that those properties should be part of this Overlay Zone boundary. The proposed boundary for the City Center Housing Overlay Zone is shown in **Figure 1** below.

Figure 1. Proposed City Center Housing Overlay Zone



A summary of the City Center Housing Strategy Action Plan is provided in the table in **Figure 2** below. Four categories of actions were identified, the first being removal of barriers to desired housing in the City Center.

The proposed amendment is a first step which establishes the overlay zone and addresses some of the initial barriers, including Actions 1.1 (density), 1.2 (minimum parking), and 1.3 (parking reduction area) below. It also partially addresses Action 1.4 (parking lot standards for small-scale development), by allowing residential parking within the Overlay Zone to be located on a nearby property, as already allowed for other uses. Other Action Items would be brought forward in subsequent steps. For example, Actions 1.5, 1.6, 1.7, and 1.8 below would be brought forward as a separate bundle of amendments together with the work underway on residential design standards. Some of those items have also already been discussed in previous work sessions.

Within the C-3 zone, multi-family housing is also currently subject to standards that apply to multi-family development within the R-4 zone. The proposal makes some modifications so certain R-4 standards wouldn't apply to multi-family housing in the C-3 zone if within the City Center Housing Overlay.

The Planning Commission discussed some of the proposed standards at their August work session and their September public hearing, and the proposed draft incorporates their recommended revisions.

Figure 2. City Center Housing Strategy – Action Plan Summary Table

	Regulatory	Non Regulatory	Proposed Action
1.0 Remove barriers to desired housing in city center			
1.1	x		Remove density requirements*
1.2	x		Reduce residential parking minimums*
1.3	x		Extend the parking reduction area*
1.4	x		Revise parking lot standards for small scale development*
1.5	x		Permit townhouses in C3 zone*
1.6	x		Permit or conditionally permit SROs*
1.7	x		C3-specific setbacks for multi-family residential*
1.8	x		Residential-specific design standards*
2.0 Provide incentives and support to desired development			
2.1		x	City-led pilot projects in partnership with developer*
2.2		x	Subsidy gap financing from Urban Renewal funds
2.3		x	Evaluate SDC costs
2.4		x	Property Acquisition and Reduction of Land Costs
2.5		x	Fast-track system for permitting
2.6		x	Small-scale developer bootcamp
2.7		x	Developer guidebook of financial assistance
2.8		x	Developer Tours
3.0 Improve street character, connections, and walkability			
3.1		x	Improvements to 2nd and 4th streets
3.2		x	Streetscape improvements to Adams and Baker
3.3		x	Improvements to Lafayette
3.4		x	Strengthen connections between Alpine District + 3rd St
3.5		x	Continue façade improvement program
3.6		x	Free design assistance application
3.7		x	Urban open space network to support downtown housing
4.0 Align enforcement and programming efforts with City's housing goals			
4.1		x	Evaluate short term rental regulations
4.2		x	Transportation modeling of the city center
4.3		x	Parking management plan / shared parking plan
4.4		x	Review of school capacity and other public services
* Being addressed as part of the City Center Housing Strategy			

- 3. Allow temporary use of an RV as a residence during construction of a permanent dwelling(s) on the same lot.** Allowing temporary use of an RV during construction of a dwelling can allow a household to reduce their housing costs. With this option, a household

doesn't need to own and/or rent separate properties while new construction is occurring. This option is currently allowed in some other cities and counties in Oregon, and other jurisdictions are currently considering this option.

The proposed draft reflects revisions discussed and recommended by the Planning Commission at their August work session and September public hearing.

Discussion:

The proposed amendments support the Council Goal of Housing Opportunities.

The proposed amendments would address several of the initial key items in the City Center Housing Strategy adopted by Council in May; they would address Comprehensive Plan policies regarding housing in the City Center, including those which were updated with the Comprehensive Plan amendments in December 2020 as part of the package of amendments adopted concurrently with the UGB amendment; and they would include provisions for temporary use of RVs during construction, providing an additional opportunity to help reduce housing costs.

The proposed amendments were reviewed by the Planning Commission through a work session and public hearing. The proposed amendments reflect revisions discussed and recommended by the Planning Commission, with the additional amendment and supplemental findings recommended by staff.

Attachments:

- Attachment 1: Summary of Proposed Amendments by Chapter
- Attachment 2: Planning Commission Minutes – September 16, 2021
- Attachment 3: Ordinance No. 5105
 - Exhibit A – G 2-21 Decision Document
 - Exhibit B – Proposed Amendments

Fiscal Impact:

There is no immediate fiscal impact to the City of McMinnville with this action.

Alternative Courses of Action:

- 1) **ADOPT** Ordinance No. 5105, approving G 2-21 and adopting the Decision, Findings of Fact, and Conclusionary Findings provided in Ordinance No. 5105.
- 2) **ELECT TO HOLD A PUBLIC HEARING** date specific to a future City Council meeting.
- 3) **SEND THE PROPOSAL BACK TO THE PLANNING COMMISSION** for further review and recommendation regarding one or more issues, including the additional amendment and supplemental findings recommended by staff.
- 4) **DO NOT ADOPT** Ordinance No. 5105, providing findings of fact based on specific code criteria to deny the application in the motion to not approve Ordinance No. 5105, or address why the legislative proposal doesn't adequately address the Comprehensive Plan and City Center Housing Strategy.

Recommendation:

Staff recommends the Council adopt Ordinance No. 5105, which would approve Docket G 2-21, as recommended by the Planning Commission, with the additional amendment and supplemental findings recommended by staff as described above.

“THAT BASED ON THE FINDINGS OF FACT, THE CONCLUSIONARY FINDINGS FOR APPROVAL, AND THE MATERIALS SUBMITTED BY STAFF AND RECOMMENDED BY THE PLANNING COMMISSION, WITH THE ADDITIONAL AMENDMENT AND SUPPLEMENTAL FINDINGS RECOMMENDED BY STAFF, I MOVE TO ADOPT ORDINANCE NO. 5105.”