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## **EXHIBIT 3 - STAFF REPORT**

**DATE:** August 19, 2021  
**TO:** Planning Commission Members  
**FROM:** Tom Schauer, Senior Planner  
**SUBJECT:** G 2-21. City-initiated zoning ordinance amendments related to housing

### **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

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### **Report in Brief:**

This is a work session for application G 2-21, proposed City-initiated zoning ordinance amendments related to housing. The proposed amendments would (a) add provisions allowing existing single-family dwellings as a permitted use in the C-3 zone, (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 draft amendments are attached as **Attachment 1**.

The Planning Commission public hearing for this proposal is scheduled for September 16. This is a legislative land use action.

### **Background:**

This proposal is intended to increase housing opportunities and remove regulatory barriers associated with provision of housing, consistent with the Comprehensive Plan. The proposal addresses two items:

- 1. Add 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 also allows multi-family development as a permitted use. If 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 are therefore currently classified as nonconforming uses in the C-3 zone. 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 as a permitted use, the existing dwellings could expand on-site and operate in the same manner as permitted uses, as long as the use is continued. For purposes of determining continuation of use, the proposal would also allow for short-term rentals and owner-occupied short-term rentals to be considered a continuation of residential use.

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 and new single-family dwellings 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.

The proposed amendment was drafted to address existing single-family dwellings in the C-3 zone, which has been the most common issue. However, the same issue also applies to existing duplexes in the C-3 zone. The amendment could potentially be expanded upon to also allow existing duplexes as a permitted use in the C-3 zone.

- 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

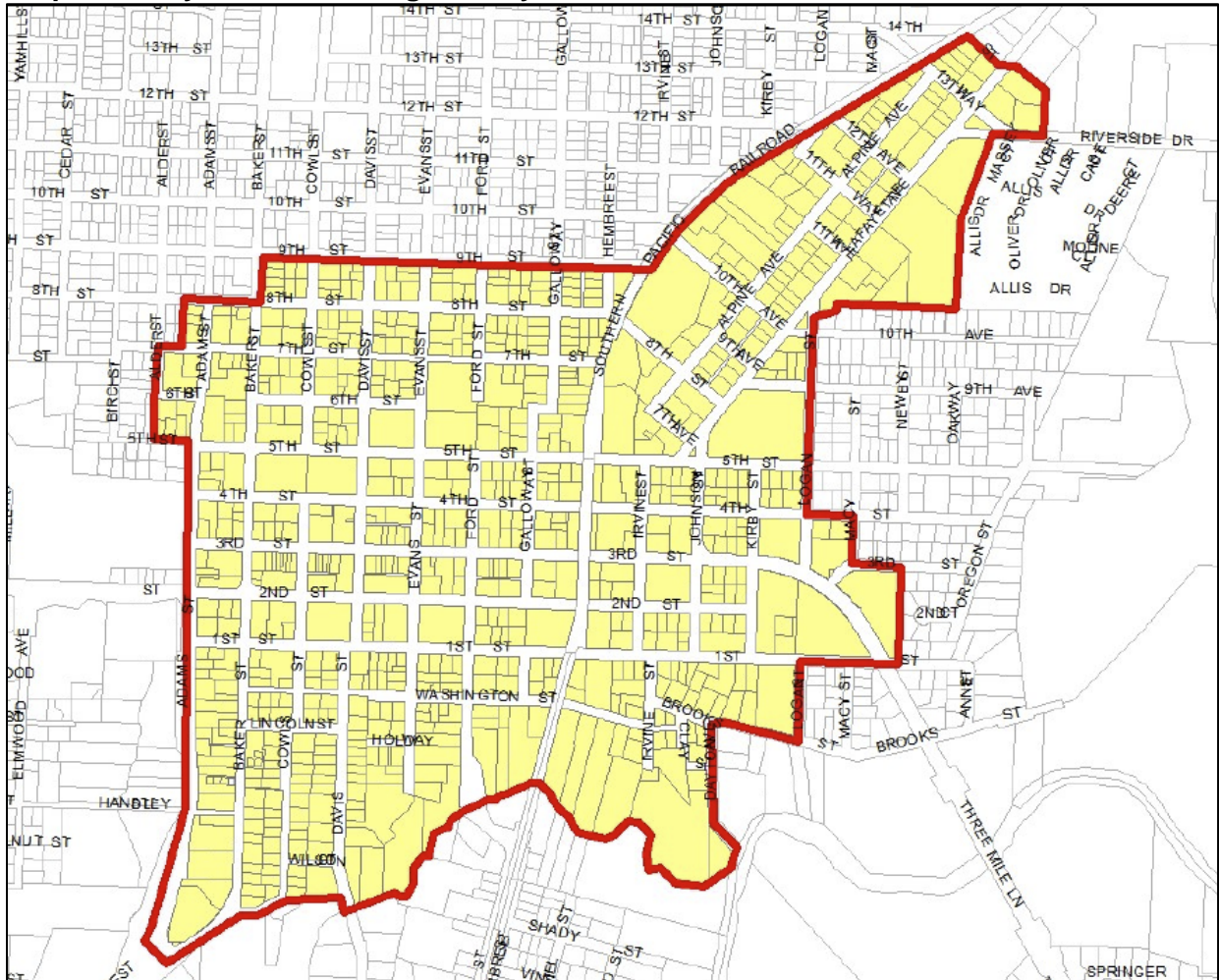
The adopted resolution and final report are available at:

[https://www.mcminnvilleoregon.gov/sites/default/files/fileattachments/ordinance/22004/res\\_2021-27.pdf](https://www.mcminnvilleoregon.gov/sites/default/files/fileattachments/ordinance/22004/res_2021-27.pdf)

The project included a study area. 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 southeast 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 residential properties on the east side of the study area are still included within the

proposed boundary because they are within the Urban Renewal Area and Northeast Gateway Overlay Zone. The proposed boundary for the City Center Housing Overlay Zone is shown below.

### Proposed City Center Housing Overlay Zone



A summary of the City Center Housing Strategy Action Plan is provided in the table 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.

## City Center Housing Strategy – Action Plan Summary Table

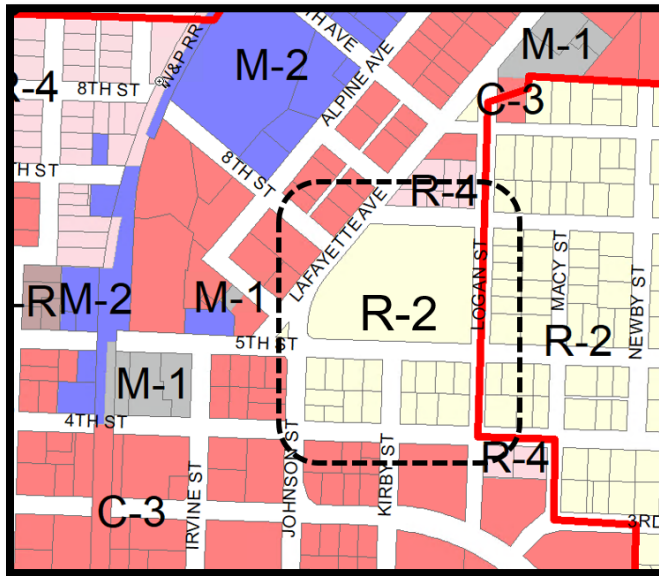
	Regulatory	Non Regulatory	Proposed Action
<b>1.0 Remove barriers to desired housing in city center</b>			
1.1	x		Remove density requirements*
1.2	x		Reduce residential parking minimums*
1.3	x		Extend the parking reduction area*
1.4	x		Revise parking lot standards for small scale development*
1.5	x		Permit 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*
<b>2.0 Provide incentives and support to desired development</b>			
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
<b>3.0 Improve street character, connections, and walkability</b>			
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
<b>4.0 Align enforcement and programming efforts with City's housing goals</b>			
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.

**Discussion:**

Are there issues or considerations the Planning Commission would like staff to review or address in advance of the September public hearing?

1. **Add Existing Single-Family Dwellings as a permitted use in the C-3 zone.**
  - a. **Scope/Duplexes.** Does the Planning Commission wish to expand the scope of the proposed amendment to also add existing duplexes as a permitted use in the C-3 zone?
  - b. **Other items?**
2. **Establish a City Center Housing Overlay Zone and associated provisions.**
  - a. **Boundary.** The proposed Overlay Zone boundary still includes a small area of lower-density residential property on the east side, which is within the Urban Renewal boundary and Northeast Gateway Overlay Zone boundary. Should this be retained or removed from the boundary? This includes the property where the School District administrative office is located.



- b. **Off-Site Parking.** The proposed distance for the off-site parking allowance for residential uses within the Overlay Zone is 500 feet. The current standard for other uses is 200 feet. Is 500 feet a reasonable standard? Most of the traditional city center blocks are 260'x300' to street centerlines.
    - c. **Other items?**
3. **Allow temporary use of an RV as a residence during construction of a permanent dwelling(s) on the same lot.**
  - a. **Any discussion items?**

**Attachments:**

1. **Attachment 1.** Proposed Draft Zoning Ordinance Amendments

**Recommendation:**

No Planning Commission action is taken at this work session. Any suggestions and direction from the Planning Commission in advance of the September public hearing are appreciated.

**G 2-21. City of McMinnville Proposed Zoning Ordinance Amendments**

- **City Center Housing Overlay Zone**
- **Existing Single-Family Dwellings in the C-3 Zone**
- **Temporary Use of an RV as a Residence During Home Construction on Same Lot**

Proposed amendments to the McMinnville Zoning Ordinance to (a) add provisions allowing existing single-family dwellings as a permitted use in the C-3 zone, (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, as follows:

- Amend **Chapter 17.33, C-3 General Commercial Zone**, as follows:
  - Amend Section 17.33.010 to allow existing single-family dwellings as a permitted use in the C-3 zone based on the adoption date of this amendment.
  - Amend Section 17.33.010(3) to specify that the density provisions of the R-4 zone don't apply to residential use in the C-3 zone within the City Center Housing Overlay District.
  - Amend Section 17.33.020(F) to specify that residential use in the C-3 zone within the City Center Housing Overlay District which exceeds the density provisions of the R-4 zone is a permitted use in the C-3 zone under Section 17.33.010(3), not a conditional use.
- Amend **Chapter 17.54, General Regulations**, as follows:
  - Add a new Section 17.54.065, adding provisions to allow temporary use of an RV as a residence during construction of a permanent dwelling(s) on the same lot.
- Amend **Chapter 17.60, Off-Street Parking and Loading**, as follows:
  - Amend Section 17.60.050 regarding the location of off-street parking for residential use within the City Center Housing Overlay Zone. Off-street parking need not be on the same property as the residential use if it is located not farther than 500 feet of the building with the residential use, subject to a binding parking agreement.
  - Amend Section 17.60.100 to establish a modified minimum off-street parking standard for residential use within the City Center Housing Overlay Zone as 1 parking space per dwelling unit.
- Amend **Chapter 17.63, Nonconforming Uses**, to specify that the limitation on the number of units applicable to replacement of a nonconforming multiple-family structure doesn't apply on property zoned C-3 in the City Center Housing Overlay Zone, when the nonconformity is relative the referenced setbacks of the R-4 zone, but the structure complied with the setbacks of the C-3 zone.
- Add a new **Chapter 17.66, City Center Housing Overlay Zone**, to the Zoning Ordinance, establish a boundary for the Overlay Zone, and incorporate standards that apply to residential use within the City Center Housing Overlay Zone.

***Note: Additional land-use actions in the City Center Housing Strategy will be considered for adoption at a future date.***

Chapter 17.33

C-3 GENERAL COMMERCIAL ZONE

[...]

17.33.010 Permitted Uses. In a C-3 zone, the following uses and their accessory uses are permitted.

[...]

**2. Existing lawfully established single-family dwellings built and occupied prior to [insert adoption date], 2021.**

**a. Lots for these uses will be limited to their current sizes and cannot be expanded.**

**b. If the single-family dwelling is not occupied for more than a year as a residential use, it is no longer considered a permitted use.**

**c. Short-term rentals and resident-occupied short-term rentals will be considered a continued residential use for this code provision.**

**23. Condominiums subject to the provisions of the R-4 zone, except that within the City Center Housing Overlay Zone designated in Chapter 17.66, density limitations of the R-4 zone shall not apply, and any special development standards of the Overlay Zone shall supersede those of the R-4 zone.**

**34. Multiple-family dwellings subject to the provisions of the R-4 zone, except that within the City Center Housing Overlay Zone designated in Chapter 17.66, density limitations of the R-4 zone shall not apply, and any special development standards of the Overlay Zone shall supersede those of the R-4 zone.**

[...]

17.33.020 Conditional Uses. In a C-3 zone, the following uses and their accessory uses may be permitted subject to the provisions of Chapters 17.72 and 17.74.

[...]

F. **Outside of the City Center Housing Overlay Zone, a** ~~A~~ multiple-family dwelling **or condominium** constructed to a higher density than normally allowed in the R-4 multiple-family zone provided that the following conditions are met. It is the applicant's burden to show that the conditions have been met:

[...]

Chapter 17.54

GENERAL REGULATIONS

[...]

**17.54.065 Use of Recreational Vehicle (RV) As Temporary Residence During Residential Construction.**

**A recreational vehicle (RV) may be authorized as a temporary residence during construction of a new residential structure on the same lot or parcel if found to comply with the following conditions.**

- a. Only one RV shall be allowed on a lot or parcel. The RV shall only be placed on a lot or parcel for which a building permit for a site-built dwelling(s) or a placement permit for a manufactured dwelling meeting the standards of the applicable zone has been obtained.**
- b. The RV shall only be placed on a vacant lot, or a lot on which any existing dwellings will be demolished or removed. If any existing dwellings on the lot are to be demolished, the RV shall only be allowed on the lot prior to demolition if a demolition permit is issued concurrently with the building permit or placement permit for the new home. Demolition of any site-built home shall begin, or removal of any manufactured home shall occur, within 30 days of placement of the RV.**
- c. The RV shall only be occupied by future residents of a dwelling under construction on the same lot. If the occupants are not the property owner, written authorization from the property owner shall be provided prior to placement of the RV.**
- c. The RV shall not be occupied concurrently with any dwelling on the lot, either prior to demolition or removal of any existing dwelling or upon completion or placement of a new dwelling.**
- d. The RV shall only be occupied during a period in which satisfactory progress is being made towards the completion of the site-built dwelling or placement of the manufactured dwelling for which a permit has been obtained, and in no case shall the time period exceed 18 months involving a site-built dwelling or 6 months involving a manufactured dwelling, including any applicable demolition or removal.**
- e. The RV shall cease to be used as a temporary residence not later than one month following the completion of a new site-built dwelling or placement of a manufactured dwelling, as applicable.**
- f. Except in the case of a self-contained RV, public sewer and water connections shall be provided, as well as electric power. Any on-site connections shall require applicable permits and approvals.**



- g. There shall be no parking of a self-contained RV or any vehicles on any portion of the site which is not paved or improved with a compacted dust-free gravel surface.**
- h. The Planning Director may revoke authorization for use of the RV as a temporary residence upon finding noncompliance with the provisions of this Section, including evidence of unsatisfactory progress on construction or placement of the permanent dwelling unit(s).**
- i. Nothing in the Section is intended to preclude any other lawful use of an RV as otherwise authorized in the McMinnville Municipal Code, such as the Safe Overnight Parking Program.**

[...]

Chapter 17.60

OFF-STREET PARKING AND LOADING

[...]

17.60.050. Spaces – Location.

~~Except for one or two upper-story residential dwelling units above a non-residential use, off-street parking spaces for dwellings shall be located on the same lot with the dwelling.~~

**A. Except as provided below, required off-street parking spaces for dwellings shall be located on the same lot with the dwelling. For the following residential uses, off-street parking shall be located not farther than five hundred feet from the building or use they are required to serve, measured in a straight line from the building.**

**1. Off-street parking for one or two upper story residential dwelling units above a non-residential use**

**2. Off-street parking for residential uses in the City Center Housing Overlay Zone designated in Chapter 17.66**

**B.** All other required parking spaces shall be located not farther than two hundred feet from the building or use they are required to serve, measured in a straight line from the building.

**C. When parking is provided on a different lot than the use it is required to serve, the applicant shall provide evidence of a binding parking agreement for use of the property for off-street parking consistent with the provisions of this Chapter for as long as the parking is required to serve the property. If the property is in different ownership or subsequently conveyed to a different owner, the parking agreement shall be recorded.**

[...]

17.60.100. Reduced requirements for certain area. In the area bounded by Adams Street, Ford Street, and Seventh Street, required off-street parking spaces for commercial establishments may be one-half the number stated for the particular use in Section 17.60.060 (see special parking requirements map below).

**Within the City Center Housing Overlay Zone designated in Chapter 17.66, minimum required off-street parking spaces for residential uses shall be one space per dwelling unit.**

[...]

Chapter 17.63

NONCONFORMING USES

[...]

17.63.060 Structure—Destruction.

- A. If a nonconforming structure or a structure containing a nonconforming use in the industrial land use category is destroyed by any cause to an extent exceeding sixty percent of the assessed structural value as recorded in the County Assessor's records at the time of destruction, a future structure or use of the property shall conform to the provisions of this ordinance;
- B. If a nonconforming structure or a structure containing a nonconforming use in a residential, commercial, or public land use category is destroyed by fire, accident, or an act of God, the structure may be rebuilt to the same size (square footage before destruction) and may be occupied by the use which occupied the structure at the time of destruction.
- C. In the case of a destruction of a nonconforming multiple-family residential structure, the structure, if rebuilt, may not contain more living units than existed prior to the destruction; **except, however, in a C-3 zone within the City Center Housing Overlay Zone, this limitation shall not apply to a multiple-family structure that is nonconforming relative to the referenced setbacks of the R-4 zone, but meets the setbacks of the C-3 zone.** (Ord. 4128 (part), 1981; Ord. 3380 (part), 1968).

[...]

Chapter 17.66

CITY CENTER HOUSING OVERLAY ZONE

Sections:

- 17.66.010 Establishment
- 17.66.020 Purpose and Intent
- 17.66.020 Applicability and Exemptions
- 17.66.030 Guidelines and Standards
- 17.66.040 Procedure

17.66.010 Establishment. The City Center Housing Overlay Zone is hereby established. The City Center Housing Overlay Zone boundary is shown in Figure 17.66.1.

17.66.020 Purpose and Intent.

17.66.030. Applicability and Exemptions. Provisions of this Chapter apply to residential development within the City Center Housing Overlay Zone boundary, including new development, and development that increases the square footage or number of existing dwelling units.

The provisions of the Chapter modify the provisions of other Chapters of the Zoning Ordinance as specified herein.

In addition, other Chapters of this Ordinance may specify that certain provisions of those respective Chapters are modified for properties within the City Center Housing Overlay Zone boundary, as specified in those Chapters.

The provisions of this Chapter do not apply to routine maintenance of residential development within the City Center Housing Overlay Zone.

17.66.040. Guidelines and Standards. [Reserved for future use].

17.66.050. Procedures. [Reserved for future use].

**Figure 17.66.1. City Center Housing Overlay Zone Boundary**

