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EXHIBIT 3 - STAFF REPORT

DATE: September 16, 2021
TO: Planning Commission Members
FROM: Tom Schauer, Senior Planner
SUBJECT: Public Hearing (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 is a legislative public hearing for docket G 2-21, proposed City-initiated zoning ordinance amendments related to housing. The proposal is intended to increase housing opportunities and remove regulatory barriers associated with provision of housing, consistent with the Comprehensive Plan.

The proposed amendments address three main topics: (a) add provisions allowing existing single-family dwellings and duplexes 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 draft amendments are attached as **Exhibit B**.

On August 19, 2021, city staff hosted a work session with the Planning Commission to review the draft proposal. **Exhibit B** reflects some revisions from the initial draft, resulting from discussion and input at the August 19, 2021 Planning Commission work session.

Background:

Below is a summary of each of the three major topics. Please see the first page of **Exhibit B** for a summary of the specific sections proposed to be amended.

- 1. Add Existing Single-Family Dwellings and Duplexes 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

Attachments:

Exhibit A – G 2-21 Decision Document
Exhibit B – G 2-21 Proposed Code Amendments

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 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. 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.

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.

- The original draft of the proposed amendment addressed only 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. ***Based on input from the Planning Commission at the August 19, 2021 work session, the draft proposal has been updated to also allow existing duplexes as a permitted use in the C-3 zone in the same manner as would apply to single-family dwellings, except for provisions related to short-term rentals.***
- At the work session, the Planning Commission also discussed the amount of latitude that should be authorized for expansion and/or redevelopment of an existing single-family dwelling or duplex if allowed as a permitted use in the C-3 zone. Some of the concepts discussed at the work session could potentially result in provisions where some aspects could be more restrictive than what currently applies in terms of limitations for these uses as existing nonconforming uses, which could be a philosophically inconsistent implementation approach to the respective policy objectives.

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During the discussion, some Planning Commissioners expressed a desire for code provisions that would have some limitations on redevelopment or expansion of these uses, such that they might be phased out through attrition and redeveloped with other uses more quickly than might be achieved if they are allowed to be fully redeveloped or expanded on existing sites with no limitation on size or percentage increase over existing square footage. (Please note that limits on the size of expansion or restrictions on redevelopment are not necessarily indicative of the level of investment that may still occur through maintenance and/or remodeling, whether retained at the same size or expanded within specified parameters).

That approach is somewhat different than the proposed concept of granting these existing residential uses permitted use status, and more in line with regulating them as nonconforming uses, but with nonconforming use regulations which are less restrictive than currently exist.

However, if the Planning Commission favors a different policy objective/prioritization or implementation approach that differs from the staff recommendation, staff would suggest a narrower provision that addresses the maximum size/percentage of expansion allowed, rather trying to regulate the issue by prohibiting redevelopment or restricting the improvement value of redevelopment/expansion relative to the current value – issues which are challenging to administer over time and may not neatly fit with current provisions governing nonconforming uses in general.

Some of the concepts discussed by the Planning Commission potentially relate to broader policy considerations regarding nonconforming uses in general, which are beyond the intended limited scope of this amendment addressing only existing single-family dwellings and duplexes in the C-3 zone.

The draft proposal attached as Exhibit B doesn't currently incorporate any modifications from the original draft relative to this issue.

Staff is also researching whether we can readily determine the number of these existing units within the C-3 zone, and will provide any additional information at the hearing. We weren't able to obtain the information directly from the Assessor's Office. If the number of these existing uses is limited, the implications of different alternatives to address policy objectives may be very limited.

- 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:

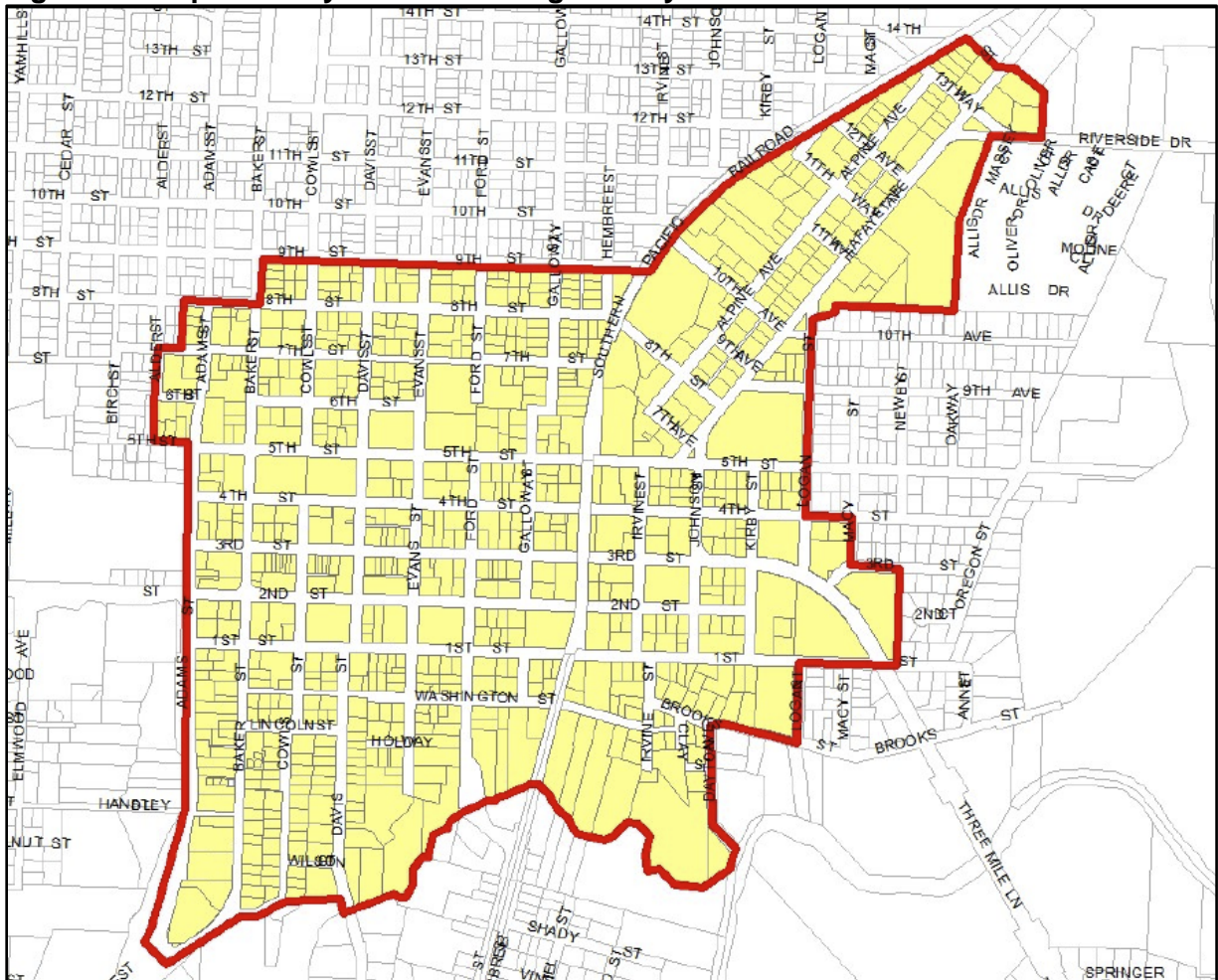
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The project included a study area. The boundary for the proposed Overlay Zone generally follows the study area boundary, but doesn't include areas with lower-density residential zoning on the southeast fringes of the study area and adds a commercial 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 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.

- At the August 19, 2021 Planning Commission work session, there was discussion about whether or not to revise the boundary to remove the small area of lower-density R-2 zoning, which is located within the Urban Renewal District and Northeast Gateway PD Overlay Zone. The general concurrence of the Planning Commission was to retain this area within the proposed boundary. The area includes the School District administrative offices and is uniquely located within the Urban Renewal District and NE Gateway Overlay Zone. ***The proposed boundary has not been changed in the revised draft.***

At the work session, there was also discussion about some of the proposed standards that would be applicable within the City Center Housing Overlay, including the following:

- Opportunity for further parking reduction in the core area (less than 1 space per unit, or at least for smaller units, but not a reduction to 0 spaces per unit). ***The initial draft has been revised to allow for some additional parking reduction in the core area.***
- Whether the proposed 500' maximum distance for the off-site parking option was too far. ***The current draft retains the 500' distance. Most people walk a quarter mile in five minutes, so 500' represents a 2-minute walk.***
- Allow shared driveways. ***The initial draft has been revised to allow for shared driveways.***
- There was general concurrence regarding the proposed provisions allowing rebuilding a nonconforming multi-family residential structure that had been destroyed by calamity in the C-3 zone in the City Center Housing Overlay to modify the restriction on number of units if the structure met certain standards of the C-3 zone but if nonconforming to the current R-4 standards referenced in the C-3 zone. ***The revised draft has been amended slightly to further address this issue.***
- There was also an inquiry regarding existing parking studies. ***A copy of the 2018 parking utilization study has been distributed separately.***

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Exhibit A – G 2-21 Decision Document

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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			

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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.

At the August 19, 2021 Planning Commission work session, there was general support to allow this option, but there were some questions about the applicable provisions.

- Planning Commission members requested information about how other cities regulate these and how they address connection to services. Staff reviewed provisions from several cities and modeled the provisions most closely based on Prineville's approach. Staff contacted Prineville's Planning Director for additional information about their experience. ***The draft has been updated to clarify some provisions following that conversation.***
- There was also discussion about whether there should be a means of allowing an emergency extension for unforeseen circumstances. ***The draft has been updated to address this issue.***

Discussion:

Discussion items from the August 19, 2021 Planning Commission works session, and associated revisions incorporated into the draft proposal, are summarized in the background section above. Staff believes the updated draft incorporates revisions responsive to the issues where direction was provided at the work session.

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- Exhibit A: Decision Document
- Exhibit B: Proposed Amendments

Fiscal Impact:

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

Recommendation:

Staff recommends the Planning Commission recommend the proposed code amendments to the McMinnville City Council for adoption.

“THAT BASED ON THE FINDINGS OF FACT, THE CONCLUSIONARY FINDINGS FOR APPROVAL, AND THE MATERIALS SUBMITTED BY STAFF, THE PLANNING COMMISSION RECOMMENDS THAT THE CITY COUNCIL APPROVE THE PROPOSED ZONING ORDINANCE AMENDMENTS PRESENTED IN DOCKET G 2-21.”

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