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## Discussion Brief: Accessory Dwelling Unit (ADU) System Development Charge (SDC) Waiver Retirement

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### Proposal and Policy Context

The Residential Infill Project (RIP) and House Bill (HB) 2001 introduced the ability to construct new housing types and increase density in single dwelling zones. New options for increased density include allowing:

- Duplexes (2 units)
- Triplexes (3 units)
- up to (2) two Accessory Dwelling Units (ADU) on a lot with a single-dwelling home (2-3 units)
- one ADU with an attached duplex (3 units)

Prior to this zoning change, this level of density was not allowed in single-dwelling zones. Adding (1) one ADU was the only way to add dwelling units to neighborhoods.

Bureau of Environmental Services (BES), Portland Bureau of Transportation (PBOT), Portland Parks and Recreation (Parks), and the Portland Water Bureau (Water) development review and SDC program staff met with Bureau of Planning and Sustainability and Portland Housing Bureau staff to review this issue.

### Parity: SDC Analysis for RIP Development Scenarios

Applying the ADU exemption alongside the new density allowed under RIP and HB 2001, results in a lack of parity for similar developments. Developments that look materially the same will have drastic differences in their SDCs depending on whether units are classified as ADUs or not. To illustrate this issue, the table below outline typical aggregated SDC charges for a two dwelling unit and a three dwelling unit development respectively.

**Table:** SDCs for a typical 3,000 sq. ft. development with two dwelling units and for a typical 3,500 sq. ft. development with three dwelling units. \*

	Total SDCs (typical)	Difference
<b>Two Units</b>		
House w/ 1 exempt ADU	\$35,282	<b>\$19,011</b>
Duplex	\$54,293	
<b>Three Units</b>		
House w/ 2 exempt ADUs	\$33,802	<b>\$35,527</b>
Triplex	\$69,329	

\* SDC Calculation Assumptions: Rates effective July 1, 2021 to June 30, 2022. All construction is new. BES SDC is charged per dwelling unit regardless of size. Parks SDC based on assumptions for “R5 zone 5,000 sq ft lot – ‘typical’ max unit sizes” and that the development is in the Non-Central City Subregion. Transportation NSFR SDC calculated for 1,200+ sq ft unit. Water SDC calculation assumes a 5/8” meter per unit for all ADU’s, triplexes, and fourplexes, and a 3/4” meter per unit for duplexes and single-family residences. Separate taps and meters for all units are assumed. Separate meters on headers will have lower SDC’s.

1: ADU exemptions compared to the City’s vulnerability risk factors for FY 17/18 through 20/21.

### Background:

ADUs were incentivized as a housing type in 2010 by exempting System Development Charges (SDCs) and other requirements. This resulted in more ADUs permitted year over year, from just 23 in 2009 to more than 500 in 2018. In 2018, the City changed the exemptions so that SDCs would be waived if the ADU would not be used for a short-term rental, to encourage their use as long term rentals or more permanent housing. While the covenant prohibits the use of an ADU as a short-term rental, it does not require the use of an ADU as a long-term rental. ADUs have since matured as a marketable housing type, as evidenced by more recent examples of them being converted to condo units and sold at market rate independently from the primary house.

SDCs: City Infrastructure bureaus—Bureau of Environmental Services (BES), Portland Bureau of Transportation (PBOT), Portland Parks and Recreation (Parks), and the Portland Water Bureau (Water)— charge a System Development Charge (SDC) to new developments to ensure that the increased demands on public infrastructure (streets, sewer, stormwater, water, and parks) are supported by the development that brings the increased impact. SDCs are based on the increased infrastructure demands brought by the specific development.

### Outreach & Next Steps:

1. Stakeholder and community outreach meetings May and June 2022.
2. SDC bureau staff work with BPS and PHB staff to develop a policy proposal.