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August 19, 2025

Periodic Review Specialist
Department of Land Conservation and Development
635 Capitol Street NE, Suite 150
Salem, Oregon 97301

RE: Objections to the City of Molalla's Proposed Actions to Meet Land Use Efficiency Standards

As part of its recently adopted sequential urban growth boundary (UGB) work program, the city of Molalla has adopted and submitted to the Department of Land Conservation and Development (DLCD) for review a Housing Needs Analysis (HNA), an Economic Opportunities Analysis (EOA), and a Housing Production Strategy (HPS) that project land needs through 2042 and 2044. Molalla subsequently adopted its Efficiency Measures Ordinance, ORD 2025-07 with its Findings of Fact, on July 23, 2025.

1000 Friends of Oregon (1000 Friends) submits these objections to ORD 2025-07. According to OAR 660-025-0140(2), for an objection to be valid, it must:

- (a) Be in writing and filed with the department's Salem office no later than 21 days from the date the local government sent the notice;
- (b) Clearly identify an alleged deficiency in the work task or adopted comprehensive plan amendment sufficiently to identify the relevant section of the final decision and the statute, goal, or administrative rule the submittal is alleged to have violated;
- (c) Suggest specific revisions that would resolve the objection; and
- (d) Demonstrate that the objecting party participated orally or in writing in the local process leading to the final decision.

Regarding (a), the notice provided to 1000 Friends by the city indicates that the notice of decision was submitted to DLCD on July 30, 2025, making the deadline for submission of this letter August 20, 2025.

Regarding (b), this letter identifies the alleged deficiencies and rule violations in the adopted amendments.

Regarding (c), we suggest that the appropriate action is for the DLCD director to remand ORD 2025-07 to the city for modification, as provided in OAR 660-025-0150(1)(b) for the reasons stated in this letter.

Regarding (d), 1000 Friends of Oregon participated in writing at city proceedings. We submitted written testimony to the Molalla City Council during its meetings on June 25, 2025, and July 23, 2025.

We appreciate the work done to date by the city, and believe that to best serve both the housing needs of the city's current and future residents and to meet legal requirements, there are additional actions the city should undertake. Please consider these objections in your review of the submission.

BACKGROUND

Prior to expanding its Urban Growth Boundary (UGB), the city is required by Goal 14 and related statutes, including ORS 197A.210(2), to meet the urban efficiency standards described in ORS 197A.100(3) and OAR 660-024-0050. These standards require the city to demonstrate that it has enacted land use efficiency measures (LUEMs) reasonably likely to accommodate its residential housing needs over the next 20 years on land already inside its UGB.¹

As required by law, Molalla inventoried the land inside its UGB to determine whether adequate development capacity exists to accommodate its current and projected needs, including on vacant and redevelopable land. During this process the city conducted its HNA, EOA, HPS, and adopted LUEMs that attempt to address land efficiency related to needed housing under Ordinance 2025-07. Ordinance 2025-07 has two land use efficiency components:

- Changing Alternative Dwelling Unit (ADU) decisions to a ministerial Type I Review Process.
- Rezoning 26.17 acres from industrial to commercial, 44.73 acres from industrial to residential, and 0.68 acres from commercial to residential.

While 1000 Friends supports these actions as good first steps, for the reasons stated below, we find they are not sufficient to meet the legal requirements under Goal 14 and related statutes and administrative rules.

Objection 1. It is unclear whether making ADU decisions a ministerial process qualifies as a LUEM. Further, the city did not analyze how this action will contribute to land efficiency and housing needs over the next 20 years.

The city's action changes ADU decisions to a ministerial Type I Review Process. 1000 Friends supports this change; it will make the city's ADU permitting process more efficient and less expensive for homeowners.

However, under ORS 197A.425, the city is already required to allow at least one ADU for each detached single-family dwelling, subject to reasonable local regulations relating to siting and design. Given that state law already requires the city to allow ADUs on land zoned for single detached dwellings, it is unclear how a process change will result in using its land more efficiently. Therefore, we do not believe the city has met the urban efficiency standards outlined under ORS 197A.210(2), 197A.100(3), and OAR 660-024-0050.”²

¹ OAR 660-024-0050(4).

² ORS 197A.270(5)(b).

To qualify as a LUEM, the city must demonstrate how this action is reasonably likely to increase land efficiency and accommodate some part of the city's housing needs on land already inside its UGB. For example, the city should provide an analysis of the current amount of ADUs, the remaining amount of properties eligible to build ADUs, a reasonable estimate of the total amount of ADUs likely to be constructed over the next 20 years resulting from this change compared to not changing the ADU process, and the impact this would have on the city's housing needs (both in terms of the amount of households and income categories served).

Neither the city's HNA³ nor its HPS⁴ provides this or a similar analysis. In the proposed ordinance the city noted that ADUs "could account for some of the gap in available housing for 80% of the AMI,"⁵ but provided no further information. Without this analysis, it isn't possible for the city to determine how the proposed action to make ADUs a Type I review process will increase residential land efficiency and contribute to meeting the city's housing needs within its UGB.

Additionally, if the city plans to rely on increased construction of ADUs to meet some part of its housing need and demonstrate it has reasonably accommodated its housing needs on land within its existing UGB,⁶ it should adopt actions beyond this procedural change in the application process. Sample additional actions the city could take to increase the likelihood that additional ADUs will be constructed and therefore contribute to meeting some of the city's housing needs and possibly contribute to land efficiency include, but are not limited to, the following:

- Accelerate the city's plan to reduce system development charges (SDCs) for ADUs. The HPS determined that reducing SDCs could have a moderate impact on ADU production.⁷ However, the city's implementation timeline shows it will evaluate SDCs for five years prior to implementation in 2031.⁸ Accelerating this would allow the city to experience this moderate impact much sooner.
- Create and distribute to homeowners a guide that includes pre-approved plan sets for ADUs. Molalla could easily adapt its guide from ones already publicly distributed, such as Oregon City's guide⁹ or the AARP's model ordinance standards for ADUs.¹⁰ Other detailed sources for information about ADUs include the following websites: Innovative Ways to Develop ADUs that Intentionally Help Your Community¹¹ and ADUs in Oregon: How to Increase Your Property's Value and Functionality.¹²

³ City of Molalla 2022-2042 Housing Needs Analysis, Buildable Lands Inventory. Adopted by Ordinance 2023-07 on July 26, 2023.

⁴ Molalla Housing Production Strategy. Adopted by Resolution 2025-05 on March 19, 2025.

⁵ Exhibit A: Findings of Fact for ORD 2025-07. March 26, 2025. p.4.

⁶ OAR 660-024-0050(4).

⁷ Molalla Housing Production Strategy. Adopted by Resolution 2025-05 on March 19, 2025. p.15.

⁸ Ibid., p.31.

⁹ [Alternative Dwelling Units in Oregon City](#). Published by the Oregon City Community Development & Planning Departments.

¹⁰ [The ABCs of ADUs](#). Published by AARP. 2021.

¹¹ [Innovative Ways to Develop ADUs that Intentionally Help Your Community](#). Creator: Kol Peterson. 2023.

¹² [ADUs in Oregon: How to Increase Your Property's Value and Functionality](#). Creator: John Romito. 2024.

Objection 2: The city's ordinance to rezone vacant and underdeveloped industrial properties for residential and commercial uses is a good first step. To comply with LUEM requirements however, the city: a) must analyze how the rezonings will impact its housing needs over the next 20 years, and b) should rezone more lands for higher residential density zoning classifications.

Under OAR 660-024-0050(1), the city must inventory land inside its UGB to determine whether there is adequate development capacity to accommodate its different needs over the 20-year planning period. The city did this and determined that almost 45.41 acres of vacant or underutilized industrial land could be rezoned to the following classifications:¹³

- Residential-1 (R-1) Low Density Residential Acres: 7.15 acres gained
- Residential-2 (R-2) Medium Density Residential Acres: 27.07 acres gained
- Residential-3 (R-3) Medium-High Density Residential Acres: 7.15 acres
- Commercial-2 (C-2) General Commercial Acres: 19.15 acres gained
- Commercial-1 (C-1) Central Commercial Acres: 2.95 acres gained

Rezoning underutilized land from one classification to more appropriate classifications to meet the city's needs is an important LUEM. However, it is unclear how some of the city's proposed rezonings will result in more efficiently using land within the existing UGB prior to expanding it.

First, the city proposes to rezone over 22 acres of industrial land to commercial use. However, the city's EOA shows it has a deficit of only 15 acres of commercial land.¹⁴ The city should explain why the seven additional acres are being rezoned to commercial rather than to residential use or a mixed commercial/residential zone.

Second, the city has not estimated to what degree the rezonings are reasonably likely to result in more efficient land use by increasing residential development to meet some or all of the city's housing needs over the next 20 years.

Third, the city's HNA concludes that over the 2022-2042 planning period, "future demand anticipates a greater share of medium and high density housing compared to the current inventory."¹⁵ Given this conclusion, the city's proposal to rezone some surplus industrial land for low density residential use does not represent an efficiency measure that will meet its housing needs.

Other evidence also demonstrates the city's need for high-density housing. The HNA projected a need for 1,098 low density units, 499 medium density units, and 399 high density units over the 20-year planning period.¹⁶ The city notes that 287 multifamily units in the R-3 zone have already been completed since 2022.¹⁷ Rather than seeing this as an indicator of the demand for R-3 multifamily housing and designating more land accordingly, the city stated that since the multi-unit target was nearly complete, its future

¹³ Exhibit A: Findings of Fact for ORD 2025-07. March 26, 2025. p.4.

¹⁴ Exhibit A: Findings of Fact for ORD 2025-07. March 26, 2025. p.3.

¹⁵ Ibid.

¹⁶ Ibid., p.4.

¹⁷ Ibid.

emphasis will be on zoning land R-1 and R-2 for lower density housing, including through a UGB expansion.¹⁸ We suggest this is not a correct reading of the increase in demand for multi-unit housing.

The increasing need and desire for multifamily and duplex housing in the city has a longer trend, too. According to the HNA, between 2011-2017, “70% of the residential development permits proposed multifamily or duplex housing.”¹⁹ These trends indicate that planning for only 45% of total housing to be duplexes and multifamily housing²⁰ is significantly lower than the actual need.

Similar to section 1, the city has not met the requirements of OAR 660-024-0050 when evaluating the rezoning of its vacant and underutilized industrial land. To remedy this situation, the city should provide a reasonable estimate of the total amount of housing likely to be constructed on these lands over the next 20 years and analyze the impact on its housing needs (both in the number of households and income categories that might be served). Without this, it isn’t possible for the city to determine how this action will result in more efficiently using land and meeting its residential needs .

Additionally, we recommend that the city:

- change seven acres of industrial land being rezoned for commercial use to residential uses (e.g., R-5 zoning), unless there is an explanation of why using that excess for residential use does not make sense, and
- upzone more land designated for residential uses to its medium high density zones of R-3, and R-5 for mixed use development. This will better meet the city’s current housing demand, which is trending towards higher density units, as well as help meet its obligations to use its land efficiently.

Objection 3. The city is not in compliance with the residential zoning density requirements of the Housing Density and Housing Mix Safe Harbor. Additionally, the city should upzone its residential zoning classifications.

The city is using the Housing Density and Housing Mix Safe Harbor permitted under OAR 660-024-0040(8)(f) to determine its future percentage of housing allocated to each residential zoning classification. The safe harbor requires that 55% of housing be allocated for low density, 25% for medium density, and 20% high density.²¹ The city has two residential high density zoning classifications, which it labels as medium high density zones: R-3, and R-5 for mixed use development. The safe harbor requires high density housing to have a density range of 12-40 units per net buildable acre (NBA).²² However, the city’s current R-3 and R-5 density requirements are only 8-24 units per NBA and 6-12 units per NBA, respectively.²³ This does not comply with the safe harbor standard.

¹⁸ Ibid.

¹⁹ City of Molalla 2022-2042 Housing Needs Analysis, p.19.

²⁰ Ibid., p.21.

²¹ OAR 660-024-0040(8)(f) and associated Table 1.

²² Ibid.

²³ City of Molalla, Title 17 Development Code, Table 17-2.2.040.D Lot and Development Standards for Residential Zones.

The safe harbor states, “[t]he specified mix percentage is a minimum; a local government may allow a higher percentage.”²⁴ Comparable cities that are also geographically proximate to Molalla have set minimum standards for their high-density and multi-family dwelling zoning classifications that exceed those required by the safe harbor:

- Stayton=13 units²⁵
- Canby=14 units²⁶
- Estacada=15 units²⁷
- Woodburn=19 units²⁸
- Silverton=20 units²⁹

Because Molalla is using the Housing Density and Housing Mix Safe Harbor, under the administrative rules it must ensure its residential zones comply with the safe harbor’s standards as a baseline. From this baseline the city should adopt a LUEM upzoning its residential zones to meet its current housing demand for higher density units and to match comparable cities. This will help the city demonstrate it has taken actions to reasonably increase land use efficiency inside the existing UGB.³⁰

Objection 4. The city should accelerate adoption of moderate to high impact LUEMs it has proposed, and should evaluate additional LUEMs to increase the amount of higher density housing that can be constructed.

Based on the housing needs documented in the city’s HNA and evidence of strong demand for higher density housing, we recommend that the city accelerate adopting LUEMs to ensure efficient land use and create greater housing opportunities for its residents. The following actions should be accelerated to be adopted sooner than the city currently proposes::

- Adopt cottage cluster standards sooner than 2030.³¹
- Adopt a sliding SDC fee schedule based on dwelling size sooner than 2031.³²
- Increase homeownership affordability by comprehensively reviewing and removing impediments (particularly concerning condominium development) sooner than 2029.³³

²⁴ OAR 660-024-0040(8)(f) and associated Table 1.

²⁵ City of Stayton Chapter 17.16 Zoning. p.16-8.

²⁶ City of Canby, Zoning/Development Code, Section 16.20.030(A).

²⁷ City of Estacada Municipal Code, Chapters 16.24 and 16.60.70.

²⁸ City of Woodburn Development Ordinance, Section 2.02, Nodal Medium Density Residential p.61.

²⁹ City of Silverton Municipal Code, Title 18, Chapter 2.2.100.

³⁰ OAR 660-024-0050(4).

³¹ Molalla Housing Production Strategy. Adopted by Resolution 2025-05 on March 19, 2025. p.31.

³² Ibid.

³³ Ibid.

- Update the development code to define a small dwelling unit as less than 2000 square feet and allow their construction on smaller lots than currently permitted sooner than 2027.³⁴
- Amend zoning requirements that mandate ground-floor retail in commercial zones to allow for more flexible mixed use development in these zones based on market demands sooner than 2028.³⁵

The following LUEMs should also be evaluated for adoption:

- Defer collecting residential SDCs until the certificate of occupancy is issued.
- Implement a Construction Excise Tax to fund developer incentives and other programs that support the development of high-density housing within the city's Urban Renewal Area.

Adopting medium and high impact LUEMs expeditiously will better meet the city's current housing demand and demonstrate it is taking necessary actions to efficiently use land within its existing UGB.³⁶

Objection 5. Molalla should base its housing, land, and UGB needs on the most accurate and recent population and housing projections.

Because the city began its HNA in 2022, it used the population forecast available at that time from the Portland State University Population Research Center (PSU). This 2020 forecast projected a population increase of 5,432 people by 2042.³⁷ However, PSU's most recent forecast in 2024 significantly revised that projection significantly downward. This more recent forecast projects population growth of approximately 3000 persons by 2042, a decrease of almost 50%.³⁸

The Oregon Housing Needs Analysis (OHNA) housing allocations came out in December 2024 and are based on PSU's 2024 population forecast.³⁹ The city concluded in its HNA it had a 20-year housing deficit of 1,996 units, based on the 2020 population forecast.⁴⁰ However, based on the OHNA report, the state's official projection of total housing need for the city over the next 20 years is 1,152 units,⁴¹ a decrease of over 42%.

We believe the city can and should use the most recent PSU population forecast and OHNA housing need allocation, for the following reasons:

³⁴ Ibid.

³⁵ Ibid.

³⁶ OAR 660-024-0050(4).

³⁷ City of Molalla 2022-2042 Housing Needs Analysis, p.20.

³⁸ See, e.g., PSU's population projections for [UGBs in Clackamas County](#). PSU's reduced projection is understandable, given the challenges to conduct the census during Covid and the changes to population patterns post-Covid.

³⁹ Oregon Department of Administrative Services, [Oregon Housing Needs Analysis Methodology](#), December 2024.

⁴⁰ City of Molalla 2022-2042 Housing Needs Analysis, p.20.

⁴¹ Oregon Department of Administrative Services, [Oregon Housing Needs Analysis Methodology](#), December 2024, p.55.

- Correlating the city's most updated and accurate population growth projection with its projected housing needs is the most important LUEM the city could take, given it would result in the most efficient use of the city's existing land supply.
- Relying on more accurate population and housing projections does not mean the city needs to undo its completed work, such as its Buildable Lands Inventory. The city used the Housing Density and Housing Mix Safe Harbor to determine its future housing needs, which makes it a relatively simple mathematical calculation to adjust the amount of needed housing units for each density classification. Additionally, many of the LUEMs the city proposed in its HPS are still worthwhile to meet the diverse housing needs of its current and future residents.
- The city is surrounded by some of the most productive farm land in the state, and consuming it needlessly would adversely impact the area's agricultural industry.
- It is an inefficient use of land, infrastructure, and scarce public funds for construction and maintenance of road, sewer, water, emergency, and other urban systems to expand the UGB to include land the city will not need to accommodate growth.

Objection 6: The city's parking requirement for duplex housing violates state law and discourages its construction.

OAR 660-046-0120(5)(a) prohibits the city from requiring more than a total of two off-street parking spaces for a duplex. However, it appears Molalla currently requires three off-street parking spaces for a duplex. Requiring excess offstreet parking, especially for a duplex, can result in a lot being unable to accommodate the duplex at all. The city must conform its parking code to state law, and make an assessment of the degree to which this will result in a more efficient use of land and help meet the city's housing needs.

CONCLUSION

Thank you for the opportunity to participate in this proceeding. Please let us know if you have any questions about our testimony. Please provide the director's decision electronically to mkm@friends.org and robb@friends.org.

Sincerely,

Mary Kyle McCurdy
Deputy Director
1000 Friends of Oregon

Robb Wolfson
Provisional Licensed Attorney
1000 Friends of Oregon

cc: Dan Zinder, City of Molalla
DLCD