

# DEPARTMENT OF LAND CONSERVATION AND DEVELOPMENT

## DIRECTOR’S DECISION ON MOLALLA SEQUENTIAL URBAN GROWTH BOUNDARY WORK TASK #3

**DLCD Order # 001958**

October 21, 2025

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## I. DECISION

For the reasons explained in this report, the director of the Department of Land Conservation and Development (DLCD or department) concludes that the Task 3 submittal from the City of Molalla, Ordinance 2025-07, containing zoning code amendments, zoning map amendments, and associated comprehensive plan map amendments, complies with the requirements of the applicable statewide planning goals, statutes, and administrative rules. The director approves the submittal.

## II. REVIEW PROCEDURES AND CRITERIA

### Procedural Considerations

Oregon Revised Statutes (ORS) 197.626 to 197.650 and Oregon Administrative Rule (OAR) 660-025-0175 authorize the director's review of work submitted "in the manner provided for periodic review." The director of DLCD has 90 days from the date of submittal to make a decision (OAR 660-025-0185(6)). The director may approve the submittal, remand it, or refer the matter to the Land Conservation and Development Commission (LCDC or commission). The director elected to make a decision in this case.

OAR 660-025-0185(6)(c) provides: "If the department received one or more valid objections to the work task or plan amendment, the director must either issue an order...or refer the work task or plan amendment to the commission for review." The department received two letters identifying seven objections. This order addresses the objections.

### Validity of Objections

The department received two letters identifying seven objections to the submittal. *See* Attachments A and B. The first is an objection letter from James Bobst, Vice President at Pacific Fibre Products Inc. on August 15, 2025. The second is a letter from 1000 Friends of Oregon submitted on August 19, 2025. The objections raise a range of issues with the city's decision on Task 3 in the city's sequential UGB Work Program. The department received the letters within the 21-day period for filing objections following the date the city issued the notice of decision, July 31, 2025.

Regarding objections, OAR 660-025-0140 provides:

- "(2) Persons who participated orally or in writing in the local process leading to the final decision may object to the local government's submittal. To be valid, objections 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.

“(3) Objections that do not meet the requirements of section (2) of this rule will not be considered by the director or commission.”

The department has determined that the objection from Pacific Fibre Products fails to meet validity factor (2)(b), which requires the objection to identify the relevant section of the final decision and the statute, goal or rule the submittal is alleged to have violated. The objection argues that the city’s decision conflicts with the city’s municipal code because it places medium and high-density residential land adjacent to existing heavy industrial uses. Pacific Fibre Products objection at 3. Objector Pacific Fibre Products notes that the change would create conflicts between new residential uses and allowed industrial operations, and that the city’s code expressly intends the heavy industrial zone to accommodate intense industrial uses, including manufacturing such as lumber mills and wood products facilities. The objector alludes to the need for separation between industrial and residential land uses. However, the objector does not cite any specific goal or language in the city’s plans or code that speaks to conflicts between industrial and residential uses, or that requires separation of these uses. Therefore, the objector has not identified the relevant section of the statute, goal, or rule that the submittal is alleged to have violated as required by OAR 660-025-0140(2)(b).

The objection from 1000 Friends of Oregon satisfies the requirements of a valid objection in OAR 660-025-0140(2) and may be considered by the director.

### III. BACKGROUND AND DESCRIPTION OF SUBMITTAL

In 2019, LCDC adopted rules implementing a new process, authorized under ORS 197.633(3) that allows cities and counties to sequentially submit adopted components of an urban growth boundary amendment to the department for review and approval. The department refers to this process as the sequential UGB process and allows phased submittal of findings to justify the need to expand an urban growth boundary (UGB) prior to the final local decision to amend the UGB. Previously, state law only authorized local governments to submit all the various studies, analyses, findings, and conclusions that comprise a UGB amendment at the end of the process. The sequential UGB process allows for interim review and approval of some of these components. The sequential UGB process is set forth in ORS 197.633(3) and OAR 660-025-0185.

Under the sequential UGB process, a city with an urban-area population over 2,500 that expects to expand its UGB by more than 50 acres may establish a work plan in collaboration with the department that provides a schedule for the sequential submission and review of elements necessary to expand a UGB. These components may include the adoption of a buildable land inventory, housing capacity analysis, land use efficiency measures, and ultimately, a UGB expansion. A city must submit each of these plan amendment(s) to the department “in the manner provided for review of a [periodic review] work task.” ORS 197.633(1). The department refers to this process as “in the manner of periodic review” because, when a city has

an approved periodic review work program, a jurisdiction may submit various parts of the UGB analysis to the department as separate tasks for review and approval (or remand). The sequential UGB process allows the department to review and approve “sequential phases” of the project for compliance with the statewide planning goals, statutes, and administrative rules.

The City of Molalla has a population of 10,142 (2023). In 2023, the city notified DLCD of its request to pursue an amendment using the sequential UGB process, and the department approved a work program for the city on April 28, 2023. The city adopted, and the department approved, Tasks 1 and 2 of the city’s work program, which were a housing needs analysis (Task 1) and an economic opportunities analysis (Task 2). Task 3 of the work program is to adopt “efficiency measures,” which are actions that are intended to use land in the existing UGB efficiently prior to expansion of the UGB.<sup>1</sup> The city’s Task 3 submittal is the subject of this decision.

On July 23, 2025, the Molalla City Council adopted Task 3, or Ordinance 2025-07, amending the city’s comprehensive plan map, zoning map, and zoning code. The proposed changes include amending review procedures for accessory dwelling units (ADUs), changing land use designations on the comprehensive plan map for various properties in the UGB, and changing zoning designations on the zoning map for various properties in the city limits, consistent with the new comprehensive plan designations. The city’s staff report describes the proposal as follows:

“The City’s proposed zone changes add 2.95 acres of unconstrained of undeveloped land to the C-1 Central Commercial zone.

The City’s 2023 adopted Housing Needs Analysis and Buildable Lands Inventory found deficits for all housing density types within Molalla’s existing urban growth boundary and an overall deficit of 1,576 units within the 2022-2042 20-year planning period that cannot be accounted for by the City’s existing available residential lands within the urban growth boundary. The proposed rezonings to residential draw on the surpluses of industrial lands to alleviate some of these deficits. The proposed rezonings would add 45.41 unconstrained acres of residential land, 43.57 of which are considered vacant or partially vacant. Further broken down, the rezonings would add:

- 7.15 new acres of R-3 zoned land, which can be developed at 8-24 units per acre.
- 27.07 new acres of R-2 zoned land, which can be developed at 6-12 units per acre.
- 11.35 new acres of R-1 zoned land, 9.51 ac of which are vacant or partially vacant, which can be developed at 4-8 units per acre.

All proposed residential land would be converted from existing industrial land, with the exception of two parcels totaling 0.68 ac from commercial zoning and rezones to R-3 to match

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<sup>1</sup> Task 3 of the city’s work program provides:

**“Identify and Adopt Efficiency Measures**

“Efficiency Measures are changes the city makes to its zoning map and development code to increase land efficiency within the existing UGB, in order to reduce the overall UGB expansion needs.

“The efficiency measures can include zone changes to zone more land for residential development, to up-zone or increase densities in some areas, or other changes to standards that would provide more capacity.”

surrounding high residential land uses.” Record at 54-55

“Through this amendment, the City also proposes changing the approval process for accessory dwelling units (ADU) from a Type II “Administrative Review With Notice” process to a Type I “Staff Review and Zoning Checklist” process.” Record at 49.

The city intends the efficiency measures task to accommodate some of the identified land needs from the housing needs analysis and the economic opportunities analysis within the city’s existing UGB. The city identified a surplus of small industrial properties and a deficit of commercial and residential land. Most of the map changes included in the decision are adjustments to move land from the industrial category to a commercial or residential category.

## IV. DEPARTMENT REVIEW

### A. Jurisdiction

The director, and if appealed or referred by the director, the commission, has exclusive jurisdiction to review sequential UGB work tasks, pursuant to OAR 660-025-0185(5), OAR 660-025-0150, and OAR 660-025-0160.

### B. Scope of Review

A director reviews of a submittal under OAR 660-025-0185 is done “in the manner provided for a periodic review task.” OAR 660-025-0185(5). That review is to determine whether the decision approving the submittal complies with applicable statutes, statewide land use planning goals, administrative rules, the comprehensive plan, and land use regulations. The director will defer to a local government’s interpretation of its comprehensive plan or land use regulation in the manner provided in ORS 197.829. OAR 660-025-0150(9). The director confines the review of evidence to the records provided by the city. ORS 197.633(3).

### C. Standard of Review

The standard of review for this decision is provided in ORS 197.633(3). That statute provides in part:

“(a) For evidentiary issues, is whether there is substantial evidence in the record as a whole to support the local government’s decision.

“(b) For procedural issues, is whether the local government failed to follow the procedures applicable to the matter before the local government in a manner that prejudiced the substantial rights of a party to the proceeding.

“(c) For issues concerning compliance with applicable laws, is whether the local government’s decision on the whole complies with applicable statutes, statewide land use

planning goals, administrative rules, the comprehensive plan, the \* \* \* and land use regulations. The commission shall defer to a local government's interpretation of the comprehensive plan or land use regulations in the manner provided in ORS 197.829. For purposes of this paragraph, 'complies' has the meaning given the term 'compliance' in the phrase 'compliance with the goals' in ORS 197.627."

Thus, the director considers whether the submittal is consistent with the applicable statutes, goals, administrative rules, the city's comprehensive plan and land use regulations and is supported by substantial evidence. OAR 660-025-0160(2)(a) and (c). The city's decision is a legislative decision. The Goal 2 requirement for an adequate factual base requires that a legislative land use decision be supported by substantial evidence. *DLCD v. Douglas County*, 37 Or LUBA 129, 132 (1999). Substantial evidence exists to support a finding of fact when the record, viewed as a whole, would permit a reasonable person to make that finding. *Dodd v. Hood River County*, 317 Or 172, 179, 855 P2d 608 (1993). Where the evidence in the record is conflicting, if a reasonable person could reach the decisions that the city made in view of all the evidence in the record, the choice between conflicting evidence belongs to the city. *Mazeski v. Wasco County*, 28 Or LUBA 178, 184 (1994), *aff'd* 133 Or App 258, 890 P2d 455 (1995); *Barkers Five, LLC v. LCDC*, 261 Or App 259, 349, 323 P3d 368 (2014).

Because the submittal embodies both basic findings of fact and inferences drawn from those facts, substantial evidence review involves two related inquiries: "(1) whether the basic fact or facts are supported by substantial evidence, and (2) whether there is a basis in reason connecting the inference to the facts from which it is derived." *City of Roseburg v. Roseburg City Firefighters*, 292 Or 266, 271, 639 P2d 90 (1981). Where substantial evidence in the record supports the city's adopted findings concerning compliance with the goals and the commission's administrative rules, the director nevertheless must determine whether the findings lead to a correct conclusion under the goals and rules. *Oregonians in Action v. LCDC*, 121 Or App 497, 504, 854 P2d 1010 (1993).

There is no statute, statewide planning goal or administrative rule that generally requires that legislative land use decisions be supported by findings. *Port of St. Helens v. City of Scappoose*, 58 Or LUBA 122, 132 (2008). However, there are instances where the applicable statutes, rules or ordinances require findings to show compliance with applicable criteria. In addition, where a statute, rule or ordinance requires a local government to consider certain things in making a decision or to base its decision on an analysis, "there must be enough in the way of findings or accessible material in the record of the legislative act to show that applicable criteria were applied and that required considerations were indeed considered." *Citizens Against Irresponsible Growth v. Metro*, 179 Or App 12, 16 n 6, 38 P3d 956 (2002). Such findings serve the additional purpose of assuring that the director does not substitute her judgment for that of the local government. *Id.*; *Naumes Properties, LLC v. City of Central Point*, 46 Or LUBA 304, 314 (2004).

Finally, the director also considers the objections. In reviewing objections, the director only need consider those that "make an explicit and particular specification of error by the local government." *1000 Friends of Oregon v. LCDC*, 244 Or App 239, 268, 259 P3d 1021 (2011).

## D. Applicable Law

Overall, the principal legal provisions that govern Molalla's overall sequential UGB work program are related to Statewide Planning Goals 2 (Land Use Planning), 9 (Economic development), 10 (Housing), and 14 (Urbanization), including relevant statutes and implementing rules.

Because Molalla has elected to use the sequential process and make separate individual decisions for each work task, not all the relevant goals, statutes, and rules will apply to each task. Task 3 is a decision that changes the city maps and code to use land in the existing UGB more efficiently to accommodate Molalla's 20-year needs identified in prior tasks. This decision does not update the city's Buildable Land Inventory (BLI), nor does it include an UGB amendment. The statutes and rules that apply to BLIs and UGB amendments are therefore not directly applicable to this decision. Instead, the applicable law is mainly the city's comprehensive plan, but to the extent statewide planning goals apply, the following goals are applicable.

*Statewide Planning Goal 2*  
Statewide Planning Goal 2 is:

“To establish a land use planning process and policy framework as a basis for all decision and actions related to use of land and to assure an adequate factual base for such decisions and actions.”

The commission has adopted administrative rules to guide local government in compliance with Goal 2.<sup>2</sup> As relevant to Task 3, the commission's rules periodic review, OAR chapter 660, division 25, provide the process for this director's review.

*Statewide Planning Goal 9*  
Statewide Planning Goal 9 is:

“To provide adequate opportunities throughout the state for a variety of economic activities vital to the health, welfare, and prosperity of Oregon's citizens.”

Compliance with Goal 9 is guided by administrative rules regarding economic development (OAR chapter 660, division 9).

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<sup>2</sup> Goal 2 compliance is also guided by administrative rules on the interpretation of goal 2 exception process (OAR chapter 660, division 4), rural lands irrevocably committed to urban levels of development (OAR chapter 660, division 14, rule 0030), establishment of new urban development on undeveloped rural lands (OAR chapter 660, division 14, rule 0040), post-acknowledgement plan amendments (OAR chapter 660, division 18), periodic review (OAR chapter 660, division 25), review and approval of state agency coordination programs (OAR chapter 660, division 30), state permit compliance and compatibility (OAR chapter 660, division 31), and population forecasts (OAR chapter 660, division 32).

### *Statewide Planning Goal 10*

Statewide Planning Goal 10 is:

“To provide for the housing needs of citizens of the state. Buildable lands for residential use shall be inventoried and plans shall encourage the availability of adequate numbers of needed housing units at price ranges and rent levels which are commensurate with the financial capabilities of Oregon households and allow for flexibility of housing location, type and density.”

Compliance with Goal 10 is guided by administrative rules regarding housing (OAR chapter 660, division 8).

### *Statewide Planning Goal 14*

Statewide Planning Goal 14 is:

“To provide for an orderly and efficient transition from rural to urban land use, to accommodate urban population and urban employment inside urban growth boundaries, to ensure efficient use of land, and to provide for livable communities.”

Regarding Goal 14, the commission has adopted administrative rules to guide local government in compliance.<sup>3</sup> As relevant to review of Task 3, the commission’s rules on urban growth boundaries, OAR chapter 660, division 24, and again, those related to periodic review, OAR chapter 660, division 25, are relevant to review of this submittal.

### *Oregon Revised Statutes*

ORS 197A.280<sup>4</sup>

197A.280 applies to Molalla because it is a city that is outside of the Portland Metro area with a population of less than 25,000. The statute requires the city to determine the estimated needed housing within the jurisdiction for the next 20 years, inventory the supply of buildable lands available within the urban growth boundary to accommodate needed housing, and adopt measures necessary to accommodate the estimated housing needs. The latter provision is the focus of Task 3.

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<sup>3</sup> Other administrative rules implementing Goal 14 include those regarding public facilities planning (OAR chapter 660, division 11), transportation planning (OAR chapter 660, division 12), newly incorporated cities, annexations, urban development on rural lands (OAR chapter 660, division 14), urban reserves (OAR chapter 660, division 21), unincorporated communities (OAR chapter 660, division 22), urban and rural reserves in the Portland Metro area (OAR chapter 660, division 27), population forecasts (OAR chapter 660, division 32), and the simplified urban growth boundary method (OAR chapter 660, division 38).

<sup>4</sup> The director notes that ORS 197A.280 is a successor to a portion of *former* ORS 197.296 (2021). The city has addressed *former* ORS 197.296 in its submittal, because the city began this process in 2023 before *former* ORS 197.296 was divided into two successor statutes, ORS 197A.350 and ORS 197A.280. Since Molalla is a city outside of the Portland Metro area with a population of less than 25,000, ORS 197A.280 applies to the city. Since ORS 197A.280 became effective in 2023, the city cannot rely on the former statute to authorize its submittal. However, the director notes that ORS 197A.280 remains the same as the portions of *former* ORS 197.296 applicable to cities outside of the Portland Metro area with a population less than 25,000 in all areas relevant to this decision.



ORS 197A.100(3)

ORS 197A.280(3)(c) cross references the actions provided in ORS 197A.100(3). That section of the statute provides actions that a city may include in a housing production strategy.

## E. Compliance with applicable law

On review, the director considers whether the submittal is consistent with the applicable statutes, statewide planning goals, administrative rules, the city's comprehensive plan, and is supported by substantial evidence. OAR 660-025-0160(2)(a) and (c). The city processed Task 3 as a legislative land use decision.

Local ordinances, state statutes, and LCDC rules specify procedural and substantive requirements for applications, hearings, decisions, and preserving issues for appeal, and case law from LUBA and the appellate courts further define local and state law requirements. For legislative decisions, the record must be adequate to show that the legislative action is within the legal authority of the city. The record must show that the jurisdiction followed applicable procedures. Legislative decisions must be consistent with substantive requirements in state statutes and the statewide planning goals.

LUBA has explained that adequate findings identify the applicable law, the evidence relied upon and explain how the evidence led to the conclusion on compliance with approval standards. *Heiller v. Josephine County*, 23 Or LUBA 551, 556 (1992). Findings must address all applicable statutes, administrative rules, and land use regulations and all the elements in those individual authorities. If not, then the findings are inadequate to demonstrate compliance with all applicable law. *Kliwer v. City of Bend*, 73 Or LUBA 321 (2016).

Finally, the director also considers the objections. In reviewing objections, the director only need consider those that "make an explicit and particular specification of error by the local government." *1000 Friends of Oregon v. LCDC*, 244 Or App 239, 268 (2011). The director's analysis of objections is found in Section V. below.

The director finds that the City of Molalla followed its own required procedures for legislative land use decisions and has demonstrated compliance with applicable state law. The city's findings for the proposed map changes state that the EOA found a surplus of small industrial sites, and a deficit of residential land, and that the proposed map changes will meet some of the residential need while maintaining a short-term supply of industrial sites in the city. Record at 55.

The city's findings also address four of its own comprehensive plan policies, but do not address the entirety of the comprehensive plan policies governing residential land, industrial land, or commercial land. Record at 55-56. While the city does not explicitly address all its comprehensive plan policies, the city was responding primarily to the land needs found in its EOA and HNA. The city explains how it selected the areas for the proposed map changes:

“Because surplus industrial lands are proposed for rezoning for both commercial and residential land categories Staff chose to evaluate these two goals together to holistically account for resulting land balances. Areas selected for rezoning were either found to be either vacant or partially vacant in the City’s Employment Buildable Lands Inventory. Adjacent, non-conforming, developed parcels that were sandwiched between properties selected for rezoning were also selected for rezoning.” Record at 57.

The director finds that the city based its decision on substantial evidence from its adopted EOA, HNA, and BLI.

Task 3 is based on the requirements of Goal 14 and OAR 660-024-0050(4) to reasonably accommodate the identified needs on land already inside the UGB.<sup>5</sup> Task 3 requires the city to identify and adopt “Efficiency Measures” in terms of “changes the city makes to its zoning map and development code to increase land efficiency within the existing UGB, in order to reduce the overall UGB expansion needs.” The Task 3 submittal reflects both zoning map and development code changes intended to increase land efficiency within the existing UGB. The submittal changes land use designations on the comprehensive plan map for various properties in the UGB, and changes zoning designations on the zoning map for various properties in the city limits, consistent with the new comprehensive plan designations. The submittal also amends review procedures for ADUs. The director finds that the efficiency measures comply with Goal 14 and OAR 660-024-0050(4) and the city will determine the amount of the identified need these measures account for under Task 4.

For a city the size and location of Molalla, at a “legislative review of the comprehensive plan that requires the application of the statewide planning goals related to buildable lands for residential use” as the city performed under Task 1, ORS 197A.280(3)(c) requires that the city “take any necessary actions described in ORS 197A.100(3)” to meets its identified housing need. As stated, the city amends review procedures for ADUs to reduce regulatory impediments to that type of housing within the existing UGB, consistent with ORS 197A.100(3)(a). The director concludes that the Task 3 submittal complies with applicable statutes.

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<sup>5</sup> Goal 14 provides in part:

“Prior to expanding an urban growth boundary, local governments shall demonstrate that needs cannot reasonably be accommodated on land already inside the urban growth boundary.”

OAR 660-024-0050(4) similarly provides, in part:

“Prior to expanding the UGB, a local government must demonstrate that the estimated needs cannot reasonably be accommodated on land already inside the UGB.”

## V. ANALYSIS OF OBJECTIONS

Objector 1000 Friends of Oregon presented six valid objections to the city's task 3 decision. For valid objections, OAR 660-025-0140(6) requires that the department either sustain or reject each one based on the statewide planning goals, or applicable statutes or administrative rules. Having found the objections to be valid in Section II. B of this order, the department considers each objection below.

### 1000 Friends of Oregon Objections

**1000 Friends Objection 1: “It is unclear whether making ADU decisions a ministerial process qualifies as a land use efficiency measure (LUEM). Further, the city did not analyze how this action will contribute to land efficiency and housing needs over the next 20 years.”**

The objector supports the city's submittal, acknowledging that it will make the ADU permitting process more efficient and less expensive for homeowners, but argues that to qualify as a land use efficiency measure, 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. The objector argues that the city needed to “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). 1000 Friends objection at 3.

#### **Department Response:**

First, the evaluation of impact of land use efficiency measures is not part of Task 3. As part of the next task, the city will account for efficiency measures in determining the amount of housing needs to be met by adding land to the UGB.<sup>6</sup> The objector does not identify the statute, goal, or administrative rule that explicitly requires the quantification of the impact of measures to accommodate land need. OAR 660-025-0140(2)(b). The objection does make suggestions of additional actions the city should take, but absent the connection to a legal requirement, that the city did not follow these suggestions does not provide a basis for the department to remand the submittal. Finally, the director regards the city's Task 3 efficiency measures as a package. The impact of the adopted change to ADU review procedures may be difficult to quantify on its own. The full ordinance, however, includes quantifiable zone changes in terms of units of housing that

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<sup>6</sup> Task 4 of the sequential UGB states:

“Using results from the HNA, EOA, *and accounting for efficiency measures*, the city will determine the total amount of housing and employment land that needs to be added to the UGB.” (Emphasis added).

can be accommodated, and which clearly accommodate additional housing within the existing UGB. Taken as a package, the proposed changes to Molalla's maps and zoning codes will result in more efficient use of land in the UGB for housing development. The department rejects this objection.

**1000 Friends 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 Land Use Efficiency Measure 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."**

The objector includes three points in this objection:

"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. 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.' 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." 1000 Friends objection at 4.

The objector suggest the city has not met the requirements of OAR 660-024-0050 when evaluating the rezoning of its vacant and underutilized industrial land and 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).

The objector also recommends the city address the excess seven acres rezoned to commercial and upzone more land to medium and high density residential instead of low density residential.

#### **Department Response:**

The department rejects this objection.

The objector is mistaken about the amount of land changed to commercial land use designation. The objector cites 22 acres changing to commercial land use designation, but this is based on a previous city action in ORD2025-05; the city repealed and replaced that ordinance as part of the Task 3 submittal. Record at 65. The map included in the final ordinance shows several parcels as “repealed,” and less than five acres of land changed to a commercial designation. Record at 67-69.

The objector misunderstands the timing of the applicability of OAR 660-024-0050(4) in the sequential UGB work program. This rule provides:

“If the inventory demonstrates that the development capacity of land inside the UGB is inadequate to accommodate the estimated 20-year needs determined under OAR 660-024-0040, the local government must amend the plan to satisfy the need deficiency, either by increasing the development capacity of land already inside the city or by expanding the UGB, or both, and in accordance with ORS 197.296 where applicable. *Prior to expanding the UGB, a local government must demonstrate that the estimated needs cannot reasonably be accommodated on land already inside the UGB.* If the local government determines there is a need to expand the UGB, changes to the UGB must be determined by evaluating alternative boundary locations consistent with Goal 14 and applicable rules at OAR 660-024-0060 or 660-024-0065 and 660-024-0067.” (Emphasis added).

Under Task 3, the city is directed to identify the efficiency measures, but the city is not yet proposing to expand its UGB. If the city proposes a UGB amendment - the next task within its sequential UGB work program - OAR 660-024-0050(4) will apply, and the city will need to demonstrate that the needs cannot be reasonably accommodated in the existing UGB. The city will have the opportunity to address the objections and comments from 1000 Friends of Oregon in its findings for the next task and final task in the sequential UGB work program. The analysis that the objector seeks will be part of Task 4, the next step in the process.

**1000 Friends Objection 3. “The city is not in compliance with the residential zoning density requirements of the Housing Density and Housing Mix Safe Harbor.”**

The objector notes that the city has two residential high density zoning classifications: R-3, and R-5 for mixed use development. The safe harbor provided in OAR 660-024-0040(8)(f) requires high density housing to have a density range of 12-40 units per net buildable acre. However, the city’s current R-3 and R-5 density requirements are only 8-24 units per net buildable acre and 6-12 units per net buildable acre, respectively. The objector concludes that the city’s code does not comply with the safe harbor standard.

**Department Response:**

The department rejects this objection for the same reasons it rejects Objection 2; the safe harbor requirements the objector cites are not applicable to this Task 3 decision because this decision is not an UGB amendment.

OAR 660-024-0040(8)(f) contains the safe harbor table cited by the objector. The City of Molalla Housing Needs Analysis adopted under Task 1 uses the safe harbors in the rule table to determine future housing needs. The department includes OAR 660-024-0040(8)(f) and Table 1 below for reference.

OAR 660-024-0040(8)(f):

“A local government outside of the Metro boundary may determine housing needs for purposes of a UGB amendment using the combined Housing Density and Housing Mix safe harbors described in this subsection and in Table 1, or in combination with the Alternative Density safe harbor described under subsection (g) of this section and in Table 2. To meet the Housing Density safe harbor in this subsection, the local government may Assume For UGB Analysis that all buildable land in the urban area, including land added to the UGB, will develop at the applicable average overall density specified in column B of Table 1. Buildable land in the UGB, including land added to the UGB, must also be Zoned to Allow at least the average overall maximum density specified as Zone To Allow in column B of Table 1. Finally, the local government must adopt zoning that ensures buildable land in the urban area, including land added to the UGB, cannot develop at an average overall density less than the applicable Required Overall Minimum density specified in column B of Table 1. To meet the Housing Mix safe harbor in this subsection, the local government must Zone to Allow the applicable percentages of low, medium and high density residential specified in column C of Table 1.”

**Table 1: Housing Mix/Density Safe Harbors**

A. Coordinated 20- Year Population Forecast	B. Housing Density Safe Harbor Numbers are in Dwelling Units (DU) per net buildable acre	C. Housing Mix Safe Harbor (Percentage of DU that Must be <i>Allowed</i> by zoning)		
		Low Density Residential	Medium Density Residential	High Density Residential
Less than 2,500	<ul style="list-style-type: none"> <li>Required Overall Minimum: 3</li> <li>Assume for UGB Analysis: 4</li> <li>Zone to Allow: 6</li> </ul>	70%	20%	10%
2,501 – 10,000	<ul style="list-style-type: none"> <li>Required Overall Minimum: 4</li> <li>Assume for UGB Analysis: 6</li> <li>Zone to Allow: 8</li> </ul>	60%	20%	20%
10,001 – 25,000	<ul style="list-style-type: none"> <li>Required Overall Minimum: 5</li> <li>Assume for UGB Analysis: 7</li> <li>Zone to Allow: 9</li> </ul>	55%	25%	20%
More than 25,000 but not subject to ORS 197.296	<ul style="list-style-type: none"> <li>Required Overall Minimum: 6</li> <li>Assume for UGB Analysis: 8</li> <li>Zone to Allow: 10</li> </ul>	50%	25%	25%

- **Low Density Residential:** A residential zone that *allows* detached single family and manufactured homes and other needed housing types on individual lots in the density range of 2-6 units per net buildable acre (DU/NBA). The specified mix percentage is a maximum; a local government may allow a lower percentage.
- **Medium Density Residential:** A residential zone that *allows* attached single family housing, manufactured dwelling parks and other needed housing types in the density range of 6-12 units per net buildable acre. The specified mix percentage is a minimum; a local government may allow a higher percentage.
- **High Density Residential:** A residential zone that *allows* multiple family housing and other needed housing types in the density range of 12-40 units per net buildable acre. The specified mix percentage is a minimum; a local government may allow a higher percentage.
- **More than 25,000 but not subject to ORS 197.296:** The current population estimate for the city is less than 25,000 but the 20-year population forecast for the UGB is 25,000 or more. This safe harbor is not available for a jurisdiction subject to ORS 197.296 at the time of a UGB amendment.

According to the City of Molalla municipal code, the R-3 zone has a density range of 8-24 units per acre and the R-5 zone of 6-24 units per acre.<sup>7</sup> In addition, as a city between 10,000 and 25,000 in population, Molalla allows duplexes on residential lots in compliance with middle housing statute. The duplex provisions may result in an allowable density higher than the listed maximum density, however, it is not clear that in either of these zones the city could achieve 40 units per acre on these lands. Therefore, the objector may be correct that the city does not meet the safe harbor. The department agrees that if the city intends to rely on the safe harbor pursuant to OAR 660-024-0040 (8)(f), it must allow development at the densities identified in Table 1. However, the requirements of the safe harbor are applicable at the time of UGB amendment, which is the next task of the city's sequential UGB work program. The safe harbor table does not provide a basis to remand this task. Objector suggests that the city should upzone "its residential zones to meet its current housing demand for higher density units to match comparable cities." 1000 Friends objection at 6. Objector does not identify a legal requirement to exceed the requirements of the safe harbor in relation to comparable cities. If the city intends to rely on the safe harbor throughout the sequential UGB work tasks, the city will need to ensure its zoning designations allow for, at a minimum, the densities found in Table 1 at the time it submits a proposed UGB amendment.

<sup>7</sup> Section 17-2.2.040 of Molalla municipal code; Table 17-2.2.040.D

**1000 Friends Objection 4. The city should accelerate adoption of moderate to high impact Land Use Efficiency Measures it has proposed and should evaluate additional Land Use Efficiency Measures to increase the amount of higher density housing that can be constructed.**

The objector lists several efficiency measures that they argue would be more effective in using land more efficiently within the existing UGB.

**Department Response:**

The department rejects this objection. The department is tasked with reviewing what the city submitted, not what the city might have submitted had it agreed with comments it received in considering the Task 3 submittal. This objection identifies the actions objector recommended that the city take to create greater housing opportunities, based again on what comparable cities have adopted. To the extent this objection contends that the submittal violates an applicable law, again, the objector misunderstands the timing of the applicability of OAR 660-024-0050(4) in the sequential UGB work program. This rule provides:

“If the inventory demonstrates that the development capacity of land inside the UGB is inadequate to accommodate the estimated 20-year needs determined under OAR 660-024-0040, the local government must amend the plan to satisfy the need deficiency, either by increasing the development capacity of land already inside the city or by expanding the UGB, or both, and in accordance with ORS 197.296 where applicable. *Prior to expanding the UGB, a local government must demonstrate that the estimated needs cannot reasonably be accommodated on land already inside the UGB.* If the local government determines there is a need to expand the UGB, changes to the UGB must be determined by evaluating alternative boundary locations consistent with Goal 14 and applicable rules at OAR 660-024-0060 or 660-024-0065 and 660-024-0067.” (Emphasis added).

The city is not yet proposing to expand its UGB. When the city proposes a UGB amendment - the next task within its sequential UGB work program - OAR 660-024-0050(4) will apply, and the city will need to demonstrate that the needs cannot be reasonably accommodated in the existing UGB. The city will also have the opportunity to address the objections and comments from 1000 Friends of Oregon in its findings for the next task and final task in the sequential UGB work program. The analysis that the objector seeks will be part of the next step in the process.

**1000 Friends Objection 5. “Molalla should base its housing, land, and UGB needs on the most accurate and recent population and housing projections.”**



### **Department Response:**

The department rejects this objection. The department approved the city's sequential UGB work program on April 28, 2023. The city adopted a Housing Capacity Analysis as Task 1 of the sequential UGB work program on September 12, 2023, and DLCD approved the task on December 4, 2023. One of the purposes of the sequential UGB process is to allow adoption of separate tasks to "lock in" the land needs, ensuring that jurisdictions do not have an obligation to update its needs analyses before the final UGB amendment. The sequential UGB process allows a task decision to be valid for up to four years, with a potential one-year extension by the director, so that the analyses does not become too "stale." The city has until December 4, 2027 before its approved Housing Capacity Analysis could become invalid, or "stale." The objection states that "the city can and should use the most recent PSU population forecasts and OHNA housing need allocation" but does not establish that the city has violated a goal, statute, or administrative rule by not utilizing either or both of those projections. This objection is outside of the scope of this decision on Task 3 of the city's sequential UGB program.

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

### **Department Response:**

The department rejects this objection. The objector raises a point about an element of the city's code that is out of compliance with state middle housing law. The city is required to apply state law directly until it updates its own code to be compliant with statute. The city cannot legally enforce its existing code language for duplex parking. This objection is outside of the scope of this decision on Task 3 of the city's sequential UGB work program.

## **VI. Conclusion**

The submittal from the City of Molalla to amend the city's comprehensive plan map, zoning map, and zoning code complies with the requirements of the applicable statewide planning goals, statutes, and administrative rules and is supported by substantial evidence.

Therefore, as authorized by OAR 660-025-0150(1)(a), the director approves the submittal.

DATED THIS 21st DAY OF OCTOBER 2025



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Brenda Bateman, Ph.D. Director  
Department of Land Conservation and Development

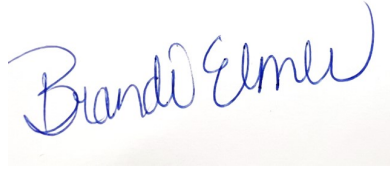
Note: You may be entitled to LCDC review of this order. LCDC review may be obtained as provided in OAR 660-025-0150(6).

**ATTACHMENT A: OBJECTION LETTER FROM PACIFIC FIBRE PRODUCTS**

**ATTACHMENT B: OBJECTION LETTER FROM 1000 FRIENDS OF OREGON**

## CERTIFICATE OF SERVICE

I certify that on October 21, 2025, I served the attached **DIRECTOR'S DECISION ON MOLALLA SEQUENTIAL UGB TASK** by mailing in a sealed envelope, with first-class postage prepaid, a copy thereof addressed as follows: (please see attached listing)



Executive Assistant to the Director

Name	Email	Mailing Address
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