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Planning Commission Staff Report – Text Amendment Middle Housing Code Update

File No.: 1-TA-26

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I. Topic

Proposed text amendments to the Community Development Ordinance (CDO) Chapters 11, 12, and 14 for the purposes of implementing “clear and objective” review standards for residential development, establishing “Middle Housing Land Divisions” and “Commercial Middle Housing Land Divisions” to facilitate fee-simple home ownership, reducing minimum lot area standards in the Single-Family Residential (SF), Medium Density Residential, (MD), and Apartment Residential (A) zones, clarifying minimum lot area standards for legacy lots and parcels, adding a lot size exception for townhouses, updating § 12.015 and renaming Article 3 to “Residential Structure Placement Standards” to modernize foundation and pedestrian access requirements and comply with State-required changes to manufactures homes, and updating off-street parking requirements to remove regulatory barriers to housing density in accordance with Oregon State Law (ORS 197A).

II. Summary and Background

For several years, Oregon land use law, specifically ORS 197A.400 (formerly ORS 197.307), has required local governments to apply only “clear and objective” standards, conditions, and procedures to the development of housing. This mandate ensures that housing approvals are based on fixed, nondiscretionary criteria rather than subjective interpretations. While this has been a long-standing requirement, recent state legislative sessions and subsequent updates to the Oregon Revised Statutes (ORS) 197A have further emphasized the need for local jurisdictions to streamline housing production and provide specific pathways for “Middle Housing Land Divisions.”

The City’s 2019 Housing Needs Analysis (HNA) and the associated Housing Policies and Actions Memo identified a critical need for diverse and affordable housing options within the Urban Growth Boundary (UGB). The HNA highlighted that the City’s current regulatory framework includes several discretionary barriers and “disincentives” to development and requires that the City identify barriers to infill development; identify barriers to development of single-family attached housing; evaluate if lot size and setbacks are barriers to developing a wider range of housing types or increasing densities; and identify and lower barriers to mixed-

use development that includes residential development in commercial zones. Staff has identified that high minimum lot sizes, mandatory covered parking requirements, and conditional use processes for multi-unit dwellings, among other things, increase the cost of construction and limit the variety of available housing types.

In response to these identified needs and to ensure continued compliance with the evolving standards of ORS 197A, Staff conducted a comprehensive review of the CDO. The currently proposed code amendments are designed to modernize the CDO by replacing subjective criteria with clear and objective standards, establishing a local process for Middle Housing Land Divisions to facilitate fee-simple ownership, and reducing regulatory burdens that currently hinder the production of the housing types identified as necessary in the City's Comprehensive Plan and HNA. More thorough code amendments will be presented to the Planning Commission in the future as work begins on the Housing Planning Assistance Grant the City received from the Oregon Department of Land Conservation and Development (DLCD).

III. Authority and Process

Pursuant to § 10.105, the Planning Commission or City Council may initiate an amendment to the text of Chapters 10 to 14 by motion. This proposal is a Legislative action, establishing broad-reaching standards for housing development within the City.

Procedural Findings

- A. **Initiation:** The Planning Commission initiated this Text Amendment by motion during a scheduled meeting on February 9, 2026.
- B. **DLCD Notification:** In accordance with state law, notice of the proposed amendment was sent to the Department of Land Conservation and Development (DLCD) on February 11, 2026, which is 40 days prior to the initial evidentiary hearing, scheduled for March 23.
- C. **Public Notice:** Notice of the March 23 Planning Commission hearing was posted on the City website and at City Hall on March 13, 2026. This exceeds the 10-day legislative notice requirement set forth in § 10.610.B.2.a.
- D. **Measure 56:** Staff has determined that the proposed amendments do not limit or prohibit previously allowed land uses; rather, the amendments increase housing flexibility and density. Therefore, individual Measure 56 notice to property owners is not required.

Authority

Per § 10.120, the Commission shall conduct a public hearing and recommend approval, disapproval, or modification of the proposed text amendment. This recommendation and a report of findings will be forwarded to the City Council for a final public hearing and action pursuant to § 10.125.

IV. Review Criteria and Findings

In this section, only goals and policies relevant to the proposed changes will be addressed, including those found in the Comprehensive Plan, the HNA, and Statewide Goals.

Consistency with the Klamath Falls Urban Area Comprehensive Plan

A. Goal 2: Land Use Planning

1. **General Policy:** *To establish a land use planning process and policy framework as a basis for all decisions and actions related to use of land and to assure an adequate factual base for such decisions and actions.*
 - a. **Finding:** By updating § 11.008 to clarify that “Only clear and objective standards apply” to housing development, the City is fulfilling the state and local mandate to provide a predictable, fact-based review process. This removes subjective “compatibility” assessments that can lead to inconsistent land use decisions.

B. Goal 10: Housing

1. **Objective B:** *Provide opportunities for housing development to meet the Klamath Falls’ identified housing needs.*
 - a. **Finding:** The proposed amendments directly support this objective by establishing “Middle Housing Land Divisions,” expanding the zones where single-family and townhouses are permitted (such as General Commercial and Mixed Use), creating unified standards for housing placement and a clear pathway to siting (§ 12.015), guaranteeing parity between stick-built, modular, and manufactured homes . This allows for the “variety of housing types” explicitly called for in the Comprehensive Plan.
2. **Implementation Measure B-1(a):** *Identify opportunities to streamline Klamath Falls’ development process to make it faster and more efficient...*
 - a. **Finding:** By replacing subjective conditional use reviews with “clear and objective” permitted standards for triplexes and fourplexes and housing generally, the City is streamlining the development process. This fulfills the mandate to create a more “efficient” and predictable pathway for housing production. Additionally, by updating foundation requirements to be “equivalent” rather than unique to manufactured homes, the City is streamlining the development process. The removal of unnecessary administrative hurdles (previously found in subsections C and D) makes the siting of affordable manufactured housing faster and more efficient.
3. **Implementation Measure B-5(a):** *Identify and lower barriers to mixed-use development that includes residential development in commercial zones.*
 - a. **Finding:** The amendments to Chapter 12 allow single-family developments under certain circumstances in the General Commercial and Mixed Use zones by the process of a Middle Housing Land Partition and allow Townhomes by right where they were previously not allowed (GC) or were conditional (MU). These actions directly implement the Comprehensive Plan's directive to “lower barriers” to residential development in commercial areas.

4. **Objective C: Housing affordability: Develop policies to support housing affordability by lowering costs of housing development...**

- a. **Finding:** The removal of the mandatory covered parking requirement, the reduction of minimum lot sizes, and the reduction in parking requirements for certain apartments are “cost-lowering” measures. By decreasing the amount of land, structured parking required per unit, and certain off-street parking requirements, the City is supporting market-rate middle-income affordability as directed by Objective C.

C. Goal 14: Growth Management and Urbanization

1. **Implementation Measure:** *Encourage the use of innovative methods of multiple use development which allow a higher density population around core commercial and service areas.*

- a. **Finding:** The creation of § 12.008 (Commercial Middle Housing Land Divisions) allows for high-density, fee-simple residential ownership within commercial core zones. This is an innovative approach that utilizes existing urban land more efficiently, supporting the transition to urban densities within the UGB.

Consistency with the 2019 Housing Needs Analysis (HNA) and Housing Policies and Actions Memo

A. **Identification of Barriers:** The HNA Policy Memo (2019) specifically directed the City to “evaluate if lot size and setbacks are barriers to developing a wider range of housing types or increasing densities” and to “identify and lower barriers to mixed-use development.” The HNA also identifies manufactured housing as a source of affordable housing.

- 1. **Finding:** The reduction of minimum lot sizes in SF, MD, and A zones, and the allowance for townhomes and single-family units in GC and MU zones, are direct responses to the barriers identified in the 2019 HNA. These changes allow for the wide array of housing types that the HNA found were lacking in the City's current housing stock.

Additionally, restrictive placement standards have acted as a barrier to utilizing manufactured homes for infill. By modernizing § 12.015 and requiring a “paved pedestrian connection” for all residential types (single-family, ADUs, duplexes, fourplexes, and manufactured homes) and eliminating roof, appearance and facing requirements, the City is ensuring a consistent standard of safety and accessibility while removing the regulatory “disincentives” that previously targeted manufactured homes specifically.

B. **Regulatory Disincentives:** The HNA noted that “regulations and standards” should be reviewed for their effects on “dwelling costs.”

- 1. **Finding:** Staff’s analysis over recent years, supported by the HNA’s call for efficiency, determined that the mandatory covered parking requirement (Footnote 13) acted as a

significant financial disincentive for the development of all unit types, in addition to garages and some carports being used primarily for material storage rather than vehicle storage. Deleting this requirement removes a non-essential cost barrier, facilitating the development of the “needed housing” identified in the 20-year growth forecast.

- C. **Encouragement of Infill and Efficiency:** The HNA emphasizes the need for infill development within the existing Urban Growth Boundary to accommodate projected growth.
1. **Finding:** By creating a “Townhouse Lot Exception” (§ 12.007.C) with a 1,250 sq ft minimum, allowing “Commercial Middle Housing Land Divisions” (§ 12.008), allowing “Residential Exceptions in Non-Residential Zones,” (§ 12.010), and reducing the off-street parking requirements for small apartments (§ 14.005) the City is maximizing the utility of existing urban land. This ensures that the City can meet its 20-year housing demand without requiring unnecessary UGB expansions, consistent with the HNA’s land-use efficiency goals.

Consistency with Statewide Planning Goals:

A. Goal 1: Citizen Involvement

1. **Finding:** The City followed the prescribed legislative notice and hearing process as outlined in CDO Chapter 10. Public hearings before the Planning Commission and City Council provide the opportunity for citizen testimony and involvement in the land use process.

B. Goal 2: Land Use Planning

1. **Finding:** The proposed amendments were reviewed for consistency with the City’s acknowledged Comprehensive Plan. By replacing discretionary conditional reviews with clear and objective standards for housing, the City is ensuring a predictable and policy-based planning process as required by Goal 2 and ORS 197A.400.

C. Goal 10: Housing

1. **Finding:** Goal 10 requires local governments to encourage the availability of adequate numbers of needed housing units. These amendments directly advance Goal 10 by removing regulatory barriers (covered parking mandates, high lot sizes) and establishing streamlined ownership pathways (Middle Housing Land Divisions) to support the production of all housing types, including “missing middle” housing. Allowing higher densities also allows more efficient use of existing infrastructure within already-served areas of the UGB.

D. Goal 11: Public Facilities and Services

1. **Finding:** Goal 11 requires local governments to plan and develop a timely, orderly, and efficient arrangement of public facilities and services to serve as a framework for urban and rural development. The proposed amendments encourage infill and higher-density development within the existing Urban Growth Boundary. By facilitating middle housing types, removing covered parking mandates, and reducing minimum lot sizes in established neighborhoods and commercial corridors, the City maximizes the efficiency

of existing water, sewer, and storm drainage infrastructure. This approach ensures that housing development utilizes a timely, orderly, and efficient arrangement of public facilities, avoiding the premature and costly extension of services to the urban fringe.

E. Goal 12: Transportation

1. **Finding:** Goal 12 requires the provision of a safe, convenient, and economic transportation system. The proposed amendments promote a compact urban form by allowing higher residential densities and mixed-use development concepts (such as Commercial Middle Housing Land Divisions) within existing zones. This pattern of development supports the City’s Transportation System Plan by promoting non-vehicular transportation modes and minimizing energy consumption. Furthermore, the amendments do not trigger a “significant effect” on an existing or planned transportation facility under the Transportation Planning Rule (OAR 660-012-0060), as they accommodate the City’s projected housing demand within the currently served urban footprint rather than generating unanticipated regional traffic, thereby encouraging sustainable transportation options.

F. Goal 14: Urbanization

1. **Finding:** These amendments promote efficient land use within the existing Urban Growth Boundary (UGB) by encouraging infill development and allowing for higher densities in residential and commercial zones. This ensures the City can accommodate its 20-year housing need while preserving rural lands outside the UGB.

Consistency with State Law:

- A. ORS 197A.732 requires that manufactured homes be permitted in all residential zones with standards equivalent to site-built dwellings.
 1. **Finding:** These amendments to § 12.015 align the CDO with state building codes and land use statutes that mandate manufactured homes be permitted in all residential zones with standards equivalent to site-built dwellings. The updated foundation and thermal envelope requirements ensure that all single-family residential types, whether manufactured or site-built, meet the same high objective standards for safety, energy and efficiency.

V. Attachments

Exhibit A – Middle Housing Code Update (provided separately)

Exhibit B – 2019 Housing Needs Analysis (HNA) Policy Memo (provided separately)

VI. Recommended Actions and Motions

Actions

- A. Open the public hearing.
- B. Receive the Staff Report.
- C. Take public testimony.
- D. Close the public hearing.
- E. Deliberate and move to a decision.

Motions

- A. Motion to accept or modify the proposed findings
 - 1. Acceptance & Approval Recommendation
 - a. “I move that the Planning Commission accept Staff’s findings for Text Amendment 1-TA-26 and recommend approval of 1-TA-26 based on the accepted findings.”
 - 2. Modification & Recommendation
 - a. For each finding the Commission wishes to modify, the Chair should clearly state
 - i. The name of the section for the finding the Commission wishes to modify, and
 - (a) Exactly what the Commission wishes to change about Staff’s finding, or
 - (b) The new finding in its entirety if it wishes to completely replace Staff’s finding.
 - b. “I move to accept Staff’s findings for Text Amendment 1-TA-26 as modified.”
 - c. “I move to recommend approval of 1-TA-26 based on the accepted findings.”
 - or*
 - d. “I move to recommend denial of 1-TA-26 based on the accepted findings.”