



STAFF REPORT

Meeting Type: City Council
Meeting Date: May 4, 2026
From: Kelly O'Neill Jr., Development Services Director
Subject: PUBLIC HEARING: Ordinance 2026-03 – Pre-House Bill 2005 Compliance Amendments

DECISION TO BE MADE:

Hold a legislative public hearing to discuss proposed code amendments for pre-House Bill 2005 (HB 2005) compliance in Chapters 17.10, 17.34, 17.36, 17.38, 17.40, 17.44, and 17.46 of the Sandy Municipal Code.

APPLICABLE COUNCIL GOAL:

- **Goal 6.9:** Ensure compliance with state legislative and regulatory mandates through code amendments that are responsible and reflect the community's values.

BACKGROUND / CONTEXT:

HB 2005 Overview

In 2025, the Oregon Legislature adopted HB 2005 (2025) dealing with a wide range of mental health related issues. Only a small portion of the bill relates to land use issues, but those changes are significant. Most provisions in HB 2005 are not housing laws, except for sections amending ORS Chapter 197A and 197.660 to 670, which are housing laws as they relate to residential development and impose a mandatory duty on a local government. Among other provisions, the bill requires local governments to allow the co-location of a "crisis stabilization center" and "mental or psychiatric hospital" without requiring a plan amendment, zone change, or conditional use permit on land within an urban growth boundary.

To come into compliance with HB 2005 the City will likely need to adopt a new code section or sections in Title 17 that mirrors the language of HB 2005. ***However, there is pending litigation around HB 2005, so staff are waiting for the litigation to be resolved prior to adopting HB 2005 code provisions into the Sandy Municipal Code.***

Existing Requirements Pre-Dating HB 2005 (addressed by Ordinance 2026-03)

Upon adoption of HB 2005, the City Attorney reviewed Title 17 of the Sandy Municipal Code and noticed a few provisions that were not aligned with ORS 197.660-667. Amending these misaligned code sections is the purpose of Ordinance 2026-03.

Prior to HB 2005, **and already in effect since 1989**, are the requirements of ORS 197.660-667; specifically the following:

- ORS 197.660 defines “residential facility” and “residential home.”
- ORS 197.665 requires the City to allow residential homes as a permitted use in any residential zone and in any commercial zone that allows a single-family dwelling, and to generally apply the same requirements to residential homes as it does to single family dwellings.
- ORS 197.667 requires the City to allow residential facilities as a permitted use in any zone where multifamily is a permitted use, and as a conditional use in any zone where multifamily is a conditional use.

Both a residential facility and a residential home must be licensed by the Oregon Health Authority in order to exist. Here are the definitions from ORS for residential facility and residential home:

“Residential facility” means residential care or residential training facility, as those terms are defined in ORS 443.400, that provides residential care alone or in conjunction with treatment or training or a combination thereof for six to fifteen individuals who need not be related. Staff persons required to meet licensing requirements shall not be counted in the number of facility residents, and need not be related to each other or to any resident of the residential facility. ORS 197.660(1).

- “Residential care facility” means a facility that provides residential care in one or more buildings on contiguous properties:
 - (a) For six or more socially dependent individuals or individuals with physical disabilities; or
 - (b) For fewer than six socially dependent individuals or individuals with physical disabilities if the purpose of the facility is to serve individuals with co-occurring behavioral health needs who are more appropriately served in smaller settings. ORS 443.400(7).
- “Residential training facility” means a facility that provides, for six or more individuals with intellectual or developmental disabilities, residential care and training in one or more buildings on contiguous properties. ORS 443.400(9).
- “Residential care” means services such as supervision; protection; assistance while bathing, dressing, grooming or eating; management of money; transportation; recreation; and the providing of room and board. ORS 443.400(6).

“Residential home” means a residential treatment or training home, as defined in ORS 443.400, a residential facility registered under ORS 443.480 to 443.500 or an adult foster home licensed under ORS 443.705 to 443.825 that provides residential care alone or in conjunction with treatment or training or a combination thereof for five or fewer individuals who need not be related. Staff persons required to meet licensing requirements shall not be counted in the number of facility residents, and need not be related to each other or to any resident of the residential home. ORS 197.660(2).

- “Residential treatment home” means a facility that provides for five or fewer individuals with mental, emotional or behavioral disturbances or alcohol or drug dependence, residential care and treatment in one or more buildings on contiguous properties. ORS 443.400(12).
- “Residential training home” means a facility that provides, for five or fewer individuals with intellectual or developmental disabilities, residential care and training in one or more buildings

on contiguous properties, when so certified and funded by the Department of Human Services. ORS 443.400(10).

- ORS 443.480 to 443.500 regulates registered community-based structured housing facilities.
- ORS 443.705 to 443.825 regulates adult foster homes.

KEY CONSIDERATIONS / ANALYSIS:

City staff were advised by the City Attorney that compliance with pre-HB 2005 requirements could be accomplished by taking the following steps:

- Define “residential home” in 17.10 by referencing ORS 197.660.
- Modify the definition of “residential facility” in Chapter 17.10 by referencing ORS 197.660.
- Add “residential home” as a permitted use in all residential zones, and in all commercial zones that allow a single-family dwelling.
- Add “residential facility” as a permitted use in all zones that allow multifamily as a permitted use, and as a conditional use in all zones that allow multifamily as a conditional use.
- Remove the references to “residential care facility” in the various zones where it is currently listed.

With these revisions, the City would be in compliance with the requirements that pre-dated HB 2005. However, these proposed amendments will not yet bring the City into compliance with the requirements of HB 2005. As noted above, there is currently pending litigation around HB 2005, and staff is waiting for this litigation to be resolved prior to recommending further action.

The Planning Commission held a legislative public hearing on March 30, 2026, and recommended that the City Council adopt the proposed code amendments in Ordinance No. 2026-03.

BUDGET IMPACT:

Staff and City Attorney expenses that have already been incurred.

RECOMMENDATION:

The Planning Commission and staff recommend that the City Council hold a legislative public hearing and adopt Ordinance 2026-03.

LIST OF ATTACHMENTS / EXHIBITS:

- Ordinance 2026-03
 - Exhibit A. Chapter 17.10 modifications
 - Exhibit B. Chapters 17.34, 17.36, 17.38, and 17.40 modifications
 - Exhibit C. Chapters 17.44 and 17.46 modifications
 - Exhibit D. Findings