

PUBLIC HEARING HB 2052, HB 2054

TAPES 23-24, A

HOUSE REVENUE COMMITTEE

JANUARY 31, 2005 1:30 PM STATE CAPITOL BUILDING

Members Present:

- Rep. Tom Butler, Chair
- Rep. Vicki Berger, Vice-Chair
- Rep. Mark Hass, Vice-Chair
- Rep. Brian Boquist
- Rep. Larry Galizio
- Rep. Betty Komp
- Rep. Andy Olson
- Rep. Chuck Riley, Acting Chair
- Rep. Sal Esquivel

Witnesses Present: Larry Groth, Assistant Director Debt Management, State Treasury Office
Jack Kenny, Director, OR Housing and Community Services

Staff Present:

- Paul Warner, Legislative Revenue Officer
- Mazen Malik, Economist
- Kristi Bowman, Committee Assistant

003 Acting Chair Riley Calls meeting to order at 1:35 p.m.

OPENS PUBLIC HEARING FOR HB 2052

- 010 Mazen Malik Gives overview of HB 2052, which is an increase of a housing revenue bond limit (Exhibit 1). The ceiling of the \$2.5 B would be reached by 2007. The bill has a subsequent referral to the Ways and Means Committee for fiscal impact. Malik refers to the revenue impact statement (Exhibit 2) that describes the funding sources for the increase in the bond's debt ceiling.
- 064 Larry Groth Refers to handout "Four Types of Long-Term Debt" (Exhibit 3) to provide context on OR's housing debt and its impact on the state's debt situation. Testifies in support of HB 2052 because the Treasury has concluded the Housing and Community Services office has prudently managed the revenue debt so far.
- 193 Jack Kenny Testifies in support of HB 2052 because the bonds support two vital programs: first-time homebuyer program and a rental program for multi-units. Loans are provided in 35 counties. During the 1990's, OR had the highest increase in single-family home prices of any state. OR is now 42nd in the nation in home ownership rate, and this program has been an effective tool to meet that goal.
- 251 Rep. Butler Asks when OR exceeded \$500 M bond limit. Also asks about the statute's criteria that sales of bonds for loans would be made available to residents of a city over 300,000 (referring to ORS 456.661 stated in HB 2052, line 8).

- 282 Kenny Responds that the loan program serves the entire state (35 counties). About 10 years ago a section was added to the statute that an additional \$30 M would be made available exclusively for cities over 300,000—namely, Portland. However, that provision has not been used to the detriment of the whole program. While it is included in HB 2052, it is a part of the original bill that needs amending.
- 315 Rep. Butler Thanks Mr. Kenny for response and restates question about when the \$500 M limit amount was reached.
- 320 Kenny Responds that it was probably in 1996 that the \$500 M limit was reached, and would get back to Rep. Butler with more specifics.
- 330 Rep. Boquist Asks about sudden growth of program.
- 340 Groth Responds that there are two factors affecting the sudden growth:
- 1. cost of housing (\$65,000 to \$125,000 now) has significantly increased over the last ten years. Construction costs have also increased
 - 2. technical reasons relating to private activity bond carry-forward. There has been less activity in some of the other programs and the Treasury Dept. has been able to take advantage of that for the housing bonds.
- 360 Rep. Boquist Asks about the default rate.
- 370 Groth Responds that OR's rate is lower than the national average for the first-time homebuyer program. In late 2004 OR's past due rate was 3.79%, and the national average was 5.6%.

CLOSES PUBLIC HEARING FOR HB 2052

OPENS PUBLIC HEARING FOR HB 2054

388 Malik Gives overview of HB 2054 which tries to change the process by which the loans and determination of housing threshold amounts are determined. Gives the exceptions of the ceiling for houses higher than \$150,000. Does not apply to multi-family homes. Extends maturity period on housing bonds from 42 years to 47 years. No revenue impact determined. Fiscal impact not yet determined.

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028 Kenny Testifies in support of HB 2054 because program structure needs to be updated to align with current banking standards. Housing council will establish a new limit with this administrative rule. Allows council to have flexibility in their oversight. Submits written testimony (Exhibit 5). Safeguards will remain in place for this program.

082 Rep. Hass Asks about 40 year loan safeguards.

084 Kenny Responds that there are safeguards in place. For example, funds are not given to the developers until the project is built and until they have achieved stabilized occupancy. Statute proposed allows the housing council to better manage the program.

- 100 Rep. Hass Follow-up question about long-term loans and their risk to the state.
- 114 Kenny Responds that the loan is structured so that there is less risk involved. The council builds in a vacancy factor, a reserve fund, and uses prudent underwriting. The longer loan term matches industry standards currently in place. The 47-year term would not be used in all cases, but primarily in developmentally disabled housing.
- 138 Malik Asks about the tie-in with the HUD reductions in the section 8 programs.
- 147 Kenny Responds that most state projects do not have section 8 provisions. The state program restricts rents at a certain level, as opposed to subsidized rent. Because there is less subsidized rent on the federal level, the next best option is the state program.
- 166 Rep. Boquist Asks about oldest property in inventory relative to the 40 year loan program.
- 173 Kenny Responds about 25 years.
- CLOSES PUBLIC HEARING FOR HB 2054.
- 183 Rep. Riley Adjourns meeting at 2:16 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
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Exhibit Summary:

1. HB 2052, Staff Measure Summary, Malik, 1 pg., 01/31/05
2. HB 2052, Revenue Impact of Proposed Legislation, Malik, 1 pg., 01/31/05
3. HB 2052, Handout: Four Types of Long-Term Debt, Groth, 8 pp., 01/31/05
4. HB 2052, Handout: Summary of Outstanding Debt and Program Usage, Groth, 1 pg., 01/31/05
5. HB 2052, Written Testimony in support of House Bill 2052, Kenny, 1 pg., 01/31/05
6. HB 2054, Staff Measure Summary, Malik, 1 pg., 01/31/05
7. HB 2054, Notice of No Revenue Impact, Malik, 1 pg., 01/31/05
8. HB 2054, Written Testimony in support of House Bill 2054, Kenny, 2 pp., 01/31/05