

PUBLIC HEARING & WORK SESSION

SB 718 A, SB 302 A, SB 839 A

TAPES 151-152 A-B, 153 A

HOUSE REVENUE COMMITTEE

MAY 9, 2005 2:30 PM STATE CAPITOL BUILDING

Members Present:

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

Witnesses Present:

- Sen. Vicki Walker, District 7
- Kate Richardson, Dept. of Treasury
- Rep. Debi Farr, District 14
- Richie Weinman, City of Eugene
- Hugh Prichard, Developer, Broadway Place (Eugene)
- Barbara Sack, City of Portland Planning Bureau

John Warner, Portland Development Commission

Marge Kafoury, City of Portland

Dennis Mulvahill, Washington County

Staff Present: Paul Warner, Legislative Revenue Officer

Mazen Malik, Economist

Mary Ayala, Economist

Kristi Bowman, Committee Assistant

TAPE 151, SIDE A

002 Chair Butler Calls meeting to order at 2:30 p.m.

OPENS PUBLIC HEARING FOR SENATE BILL 718 A

007 Mazen Malik Gives update on SB 718 (Exhibits 1 and 2). This bill directs members of the Oregon Investment Council (OIC) to declare conflicts of interest in writing not later than three business days after discovering the conflict. This bill deals with the “potential” conflict of interest.

033 Sen. Vicki Walker Explains the background of SB 718. The bill arises out of the conflict of interest issue pertaining to the Diana Goldschmidt case and the Oregon Investment Council (OIC). There is a need to know within 3 days that there is a potential conflict of interest. Supports SB 718 because the Council deals with billions of dollars for investment in Oregon.

- 077 Kate Richardson Comments that declaring a conflict of interest currently does not exist until there is a vote in front of the Council. This bill requires an OIC member to notify the Council of a “potential” conflict of interest in advance, and it provides an extra layer of disclosure.
- 095 Chair Butler Asks about executive meetings that are held behind closed doors.
- 103 Richardson Responds that current statutes cover notification of an actual conflict of interest. This bill would require a written notification to the Treasurer to make the Treasury Dept. aware of a potential conflict of interest. There is a \$250 penalty proposed in SB 718 A for failure to disclose the information. Discussion with Chair Butler about membership of the PERS board.
- 146 Chair Butler Clarifies the term “potential” in SB 718 A.

CLOSES PUBLIC HEARING FOR SB 718 A

OPENS WORK SESSION FOR SB 718 A

- 149 Rep. Komp MOTION: MOVES SB 718 A TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.
- 151 Chair Butler ORDER: HEARING NO OBJECTION, THE CHAIR SO ORDERS. THE MOTION PASSES 9-0-0. VOTING AYE: BOQUIST,

ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS,
BUTLER.

CLOSES WORK SESSION FOR SENATE BILL 718 A

OPENS PUBLIC HEARING FOR SENATE BILL 302 A

- 185 Paul Warner Gives overview of SB 302 A (Exhibit 3). The bill clarifies the number of members of the OIC. Discusses the SB 302-1 amendment (Exhibit 4) that deletes the monthly meeting requirement.
- 200 Sen. Walker Testifies in support of SB 302 A to require the Oregon Investment Council to have full disclosure of their meetings. Discusses the current Standard of Ethics that was implemented and developed by the OIC. Discusses the waiver clause that the OIC put in to their own Standard of Ethics. Submits letter from Mr. Drummond to Gov. Kitzhaber (Exhibit 5). Sen. Walker sponsored SB 302 because she wanted to ensure that the OIC would not overturn their own rules.
- 273 Richardson Discusses recording policies of on-site and off-site OIC meetings. Discusses issue regarding the Governor's appointments of OIC members. SB 302 would limit a Governor's appointment of the chair to an OIC member.
- 329 Rep. Riley Expresses concern about imposing legislation on who the Governor can appoint to the OIC board.

339 Chair Butler Comments that the Chair position should be rotated more frequently.

355 Richardson Responds that the Council votes for the OIC Board chair, and that rule is still in statute.

359 Sen. Walker Reads from correspondence verbatim from Drummond (Exhibit 5). It is important that the OIC chair positions not be entrenched or allow anyone be allowed to trump that rule.

400 Chair Butler Comments on ethics and allowing the OIC board to choose its own chair.

408 Rep. Riley Comments that he does not see what ethics has to do with length of service. Comments that it is not uncommon for legislators to have their "arm twisted" by legislative leadership.

TAPE 152, SIDE A

008 Chair Butler General comments about the OIC Board and the State Treasurer's Office.

023 Rep. Boquist Clarifies that SB 302 only deals with term limits of the OIC members.

- 033 Sen. Walker Responds that the intent of SB 302 is to honor the standard of ethics that the Board developed itself. It keeps the Council above reproach and keeps experienced people in those positions.
- 040 Richardson Responds to Rep. Riley's concerns. The bill pertains to disclosure requirements and terms, but not necessarily to ethics. The Council serves at the pleasure of the Governor.
- 050 Chair Butler Comments that the Council's ability to choose its own leadership may have been circumvented by the previous Governor.
- 052 Richardson Explains how members are elected to the OIC.

CLOSES PUBLIC HEARING SB 302 A

OPENS WORK SESSION FOR SB 302 A

- 064 Rep. Komp MOTION: MOVES SB 302 A TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.
- 076 Chair Butler Asks for roll-call vote.

083 Chair Butler ORDER: THE MOTION PASSES 8-1-0. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, BERGER, HASS, BUTLER. VOTING NO: RILEY.

CLOSES WORK SESSION FOR SENATE BILL 302 A

OPENS PUBLIC HEARING FOR SENATE BILL 839 A

095 Mary Ayala Gives overview of SB 839 A (Exhibit 6). The bill extends the sunset provision on the tax exemption for multi-family rental units in specific areas. Refers to the revenue impact statement (Exhibit 8).

107 Rep. Berger Asks why Salem's exemption expired last year.

111 Ayala Responds that Salem has active programs, but their 10-year exemptions expired. This bill is an extended sunset provision and won't impact current projects in Salem. Existing exemptions would expire, but it does not prohibit Salem from considering future projects.

127 Rep. Debi Farr Comments that the multi-unit tax exemption has done wonderful things to revitalize downtown Eugene, e.g., Broadway Place.

- 141 Richie Weinman Testifies in support of SB 839 A and submits written testimony (Exhibit 11). This bill supports Eugene’s land use goals and invigorate the downtown area. This bill is enabling legislation and does not require cities to participate. Comments that the projects would not happen without the tax exemption.
- 189 Hugh Prichard Testifies in support of SB 839 A. Discusses the Broadway Place project in Eugene and the return on investment. The exemption encouraged the developers to build this progressive project. Discusses the specifics of the project with Chair Butler.
- 263 Rep. Berger Clarifies that the purpose of SB 839 A is to extend the sunset date of the tax exemption to 2012.
- 273 Marge Kafoury Testifies in support of SB 839 A and submits a handout that describes the program (Exhibit 13). The program is to revitalize density of housing around light rail stations.
- 308 Barbara Sack Testifies in support of SB 839 A and submits written testimony (Exhibit 14). Discusses the background and benefits of the program. The property tax exemption is for the improvement on the land only. The City asks for public benefits from developers in exchange for tax exemptions, and the benefits do justify the credits. Discusses two City of Portland programs. These programs have provided low to moderate housing units in the downtown area.

- 026 Dennis Mulvahill Testifies in support of SB 839 A. Although Washington County has no projects like this currently, the County Commissioners would like to have the program available to develop housing around commuter light rail stations.
- 046 Sack In response to Chair Butler's question, Sack says that a multi-family project must have at least 10 units.
- 054 Chair Butler Discussion with Kafoury about specifics of urban high-density housing that she lives in.
- 062 Rep. Boquist Asks about the cost of building multi-unit housing.
- 066 John Warner Responds that cost can vary according to the size and density of the unit. Over 10 stories gets much more expensive, e.g., \$140 per square foot. Production costs are significant due to safety and seismic issues. The average development cost per dwelling unit is \$135,000-\$145,000.
- 092 Rep. Boquist Asks what the average rent is for a multi-unit dwelling.
- 099 Sack Responds that some projects will have additional subsidies, making rents very affordable. Discusses a specific project in the Portland area. Some projects are mixed-income units.

- 127 Warner Comments that a one bedroom unit would be in the low \$800 range. The property tax exemption doesn't allow deep levels of affordability, but with other subsidies added to projects, rents can be affordable.
- 158 Chair Butler Asks if people who exceed income levels required for the subsidies have to move out.
- 160 Warner Responds that it depends on the nature of the subsidies.
- 166 Chair Butler Asks Sack who sets the affordability guidelines.
- 168 Sack Responds that affordability guidelines are set city-by-city.
- 170 Warner Adds that allowing local control to set guidelines has been good for communities who want to tailor programs to their own interests.
- 179 Rep. Hass Asks about projects for owners of condominiums
- 181 Sack Responds that there has been low use of the subsidy with condominiums because there is owner income and price cap. The price cap of the condominium must be 95% of FHA mortgage limit, and whoever buys the unit must be at 100% or below for median income.

- 190 Warner Discusses condominium units in Portland and the tax abatement program. The program is usually used for first-time homebuyers.
- 209 Rep. Hass Asks if an owner qualifies, do they receive the property tax abatement?
- 211 Warner Responds that the abatement is passed through the developer to the homeowner. The taxes would be abated on the costs of the owner's improvement. The owners can shift their disposable income to pay the mortgage instead of paying property tax. As their income grows, they are able to pay property taxes at the end of the abatement period.
- 233 Rep. Boquist Asks what is the current median income in Portland.
- 235 Sack Responds that for a family of four it is \$67,900.
- 242 Rep. Galizio Discusses revitalization of downtown Tigard and mixed-use development potential. It will benefit people living in the units, the business community, and it will create jobs. This program would be very useful to future Tigard development.
- 268 Rep. Berger Asks Ayala for more information about the revenue impact.

270 Ayala Responds that the \$.31 M for the current biennium are for existing projects. The \$2.07 M for the next biennium would be for the projects that will come online in the future.

CLOSES PUBLIC HEARING FOR SENATE BILL 839 A

OPENS WORK SESSION FOR SENATE BILL 839 A

298 Rep. Berger MOTION: MOVES SB 839 A TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.

302 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER.

CLOSES WORK SESSION FOR SENATE BILL 839 A

305 Chair Butler Adjourns meeting at 3:46 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
Coordinator

Exhibit Summary:

1. 1. SB 718, Staff Measure Summary, Malik, 1 pg., 03/17/05
2. 2. SB 718, Staff Measure Summary, Malik, 1 pg., 05/06/05
3. 3. SB 302, Staff Measure Summary, Warner, 1 pg., 03/14/05
4. 4. SB 302, Amendment SB 302-1, Leg. Counsel, 1 pg., 03/14/05
5. 5. SB 302, Handout: Letter to Gov. Kitzhaber, Walker, 1 pg., 04/26/01
6. 6. SB 839, Staff Measure Summary, Ayala, 1 pg., 05/06/05
7. 7. SB 839, Staff Measure Summary, Ayala, 1 pg., 04/01/05
8. 8. SB 839, Revenue Impact Statement, Ayala, 1 pg., 05/06/05
9. 9. SB 839, Revenue Impact Statement, Ayala, 1 pg., 04/01/05
10. 10. SB 839, Amendment SB 839-1, Leg. Counsel, 1 pg., 04/04/05
11. 11. SB 839, Testimony, Weinman, 2 pp., 05/09/05
12. 12. SB 839, Testimony, Tucker, 1 pg., 05/09/05
13. 13. SB 839, Testimony, Kafoury, 2 pp., 05/09/05
14. 14. SB 839, Testimony, Sack, 3 pp., 05/09/05