

HOUSE COMMITTEE ON
TRADE AND ECONOMIC DEVELOPMENT

March 14, 2005 Hearing Room 343

8:30 A.M. Tapes 41 - 42

Corrected 10/14/05

MEMBERS PRESENT: **Rep. John Lim, Chair**

Rep. Scott Bruun, Vice-Chair

Rep. Jeff Merkley, Vice-Chair

Rep. Peter Buckley

Rep. John Dallum

Rep. Donna Nelson

Rep. Chuck Riley

STAFF PRESENT: **Jim Stembridge, Committee Administrator**

Erin Seiler, Committee Assistant

MEASURES/ISSUES HEARD:

HB 2199 – Public Hearing

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
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TAPE 41, A		
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001 Chair Lim Opens the meeting at 8:35 a.m. Opens the public hearing on HB 2199.

HB 2199 – PUBLIC HEARING

004 Jim Stembridge Committee Administrator. Explains HB 2199, which moves oversight of vertical housing development zone program from Economic and Community Development Department to Housing and Community Services Department. Submits and summarizes -1 amendments **(EXHIBIT A)**.

007 Mike Salsgiver Legislative Affairs Manager, Oregon Economic and Community Development Department (OECDD). Submits and summarizes written testimony in support of HB 2199 **(EXHIBIT B)**.

054 Rep. Dallum Asks for clarification about whether the vertical housing property tax credit applies to both renovation and new development.

057 Salsgiver Confirms that property tax credit applies to both renovation and new development.

059 John Fletcher Policy Analyst/Legislative Coordinator, Oregon Housing and Community Services (OHCS). Submits and summarizes written testimony in support of HB 2199 **(EXHIBIT C)**.

088 Fletcher Explains the necessity for the -1 amendments and how it the statutory language of the program and content of HB 2199 would be affected.

119 Fletcher Points out that HB 2199 establishes new additional incentives for the development of affordable housing projects **(EXHIBIT C, Page 2)**.

163 Chair Lim Asks if OHCS has discussed the transfer of administrative oversight of the vertical housing program and the creation of additional property tax exemptions with county and city officials.

165 Fletcher Confirms that OHCS has discussed changes with League of Oregon Cities, but has not had a similar discussion with the Association of Counties.

182 Chair Lim Asks whether it is true that in the four years since the program was established, no projects have been started.

184	Fletcher	Verifies and explains why no vertical housing projects have utilized the current program.
207	Chair Lim	Asks what kind of projects does OHCS expect to generate by changing the vertical housing program and what would the anticipated revenue impact be on the state.
208	Fletcher	States that OHCS does not anticipate “sweeping changes” in cities, but by making small changes in areas such as what constitutes the commercial part of a project, it will allow for more flexibility and enable more projects to come forward.
237	Rep. Buckley	Asks if there is a sunset provision attached to the program.
243	Fletcher	Explains that the program does not have a sunset provision, but that the exemptions on each project will sunset after ten years.
247	Chair Lim	Asks if an exemption can be renewed after the ten year sunset.
249	Fletcher	States that the exemption cannot be renewed unless there is an additional economic enhancement or renovation to the project.
265	Rep. Riley	Asks if HB 2199 has a subsequent referral to House Revenue.
272	Stembridge	States that HB 2199 does not have a prior referral, but upon discussions with the Speakers’ Office and Revenue Department a subsequent referral may be added.
285	Rep. Dallum	Asks if interested parties can apply for the present program or do they need to wait for this legislation to be enacted
290	Fletcher	Explains that interested parties can apply for the vertical housing exemption under the current rules and program administered by OECDD, but there are several projects that would potentially qualify as vertical housing, but are dependent upon the passage of the HB 2199.
311	John Wahrgren	Manager of Housing and Finance, OHCS. Speaks to the increase in flexibility that the bill establishes for the consideration of acquisition and rehabilitation projects for the vertical housing property tax incentives.

- 330 Rep. Dallum Clarifies that HB 2199 “fine tunes the original legislation, so that it more appropriately fits situations that really exist.”
- 345 Chair Lim Asks whether HB 2199 will affect the Portland-Metro area or will it be expanded to any areas.
- 347 Fletcher States that vertical housing development zones are not restricted to the Portland area and there are several designated zones through out the state.
- 362 Mike Swanson City Manager, City of Milwaukie. Testifies in support of HB 2199, specifically addressing a mixed-commercial/residential project in Milwaukie that is in a vertical housing tax abatement zone.

TAPE 42, A

- 020 Swanson Speaks to the financial implications for the City of Milwaukie with regards to the ten year tax abatement allowed by the vertical housing program.
- 050 Swanson Believes that OHCS is the best to administer the program because of experience in the housing and development.
- 084 Swanson Describes type of mixed-use commercial/residential project that the City of Milwaukie will be soon breaking ground on.
- 097 Rep. Dallum Asks what defines a community as an: urban center, light-rail system area, and transit-oriented area.
- 104 Swanson Explains that these communities are areas within the Metro boundaries that are high-density and in prioximity to a light-rail station.
- 115 Rep. Dallum Asks if areas that are not in prioximity to light-rail systems are excluded from participation.
- 118 Fletcher Explains that HB 2199, as amended, does not exclude areas not in prioximity to light rail areas.
- 124 Rep. Buckley Asks for a list of vertical housing development zones.

126	Fletcher	Submits Vertical Housing Development Zones List (EXHIBIT D).
149	Janet Young	Economic Development Manager, City of Beaverton. Submits and summarizes written testimony in support of HB 2199 (EXHIBIT E).
191	Young	Explains that the language to expand the vertical housing program is valuable because it acts as an incentive for affordable housing and concurs that the simplicity and flexibility are attractive features of the program.
231	Randy Tucker	Legislative Affairs Manager, METRO. Testifies in support of HB 2199, specifically addressing why METRO has an interest in the development of dense, transit-supported, and walkable mixed-use centers.
268	Tucker	Explains what METROs' "Get Centered Project."
293	Tucker	States that METRO has no position on the transfer of administrative oversight from OECD to OHCS, but does support the extension of affordable housing incentives and the increase flexibility established by the -1 amendments.
305	Tucker	Questions why it is necessary for the language change in -1 amendments from "multiple-story buildings" to a "group of buildings including at least one multiple-story building" (EXHIBIT A, Page 1).
322	David Barenberg	Legislative Director, League of Oregon Cities. Testifies that the League of Oregon Cities is supportive of HB 2199, stating support for "anything that expands the tools that are available for providing an incentive for development."
356	Chair Lim	Asks about the necessity for low-cost housing in Portland-Metro area.
370	Bob Repine	Director, OHCS. Addresses the ongoing demand for affordable and low-cost housing in the Portland-Metro area and statewide.
405	Repine	Explains the housing gap in Oregon, specifically the huge disparity between buying power and availability of affordable housing.

TAPE 41, B

034	Repine	Speaks to how vertical housing development zones are not confined to the Portland-Metro area and that many communities in Eastern and Southern Oregon are recognizing the value of these zones.
068	Rep. Dallum	Asks if the inflation rate has been greatest in land, construction, or administrative costs.
077	Repine	Answers that over the last twenty years inflation has been greatest in materials costs, then land costs, and lastly administrative costs.
091	Rep. Buckley	Asks what involvement the OHCS director had in the drafting of the -1 amendment.
095	Repine	Speaks to involvement in drafting the -1 amendments.
101	Rep. Buckley	Asks for an example of non-residential use that is not commercial.
104	Wahrgren	Explains what distinguishes non-residential from residential use.
130	Chair Lim	Asks where the name vertical housing originated.
135	Repine	States the concept and name vertical housing was adopted from other states.
145	Chair Lim	Closes the public hearing on HB 2199. Adjourns the meeting at 9:40 a.m.

EXHIBIT SUMMARY

- A. **HB 2199, -1 amendments, staff, 13 pp**
- B. **HB 2199, written testimony, Mike Salsgiver, 2 pp**
- C. **HB 2199, written testimony, John Fletcher, 2 pp**
- D. **HB 2199, Vertical Housing Development Zones List, John Fletcher, 1 p**
- E. **HB 2199, written testimony, Janet Young, 1 p**