

SENATE REVENUE COMMITTEE
MARCH 29, 2005 8:30 AM STATE CAPITOL BUILDING

Members Present: Senator Ryan Deckert, Chair
Senator Gary George
Senator Rick Metsger
Senator Floyd Prozanski
Senator Charles Starr, Vice Chair

Witnesses Present: Richie Weinman, Urban Services Manager, Eugene
Jean Tate, Metropolitan Affordable Housing,
Eugene Ed McNamara, Portland
Chip Lazenby, Portland Development Commission
Sen. Margaret Carter, District 22
Rep. Gary Hansen, District 44
Marge Kafoury, City of Portland
Brian Morisky, Portland Development Commission
Barbara Sack, Portland Development Commission
Phil Donovan, Association of Oregon Housing Authorities, NOAH
Bill Van Vliet, NOAH
Jerry Croft, Salem Housing Authority
John Blatt, Association of Oregon Community Development Orgs.
Diana Critanovich, Linn Co. Affordable Housing
Jamie Bishop, resident of Carolina Court in Lebanon

Staff Present: Paul Warner, Legislative Revenue Officer
Lizbeth Martin-Mahar, Economist
Mary Ayala, Economist
Barbara Guardino, Committee Assistant

TAPE 79, SIDE A

005 Chair Deckert Calls meeting to order at 8:37 a.m.

WORK SESSION, SB 839

022 Mary Ayala Gives overview of SB 839-1 amendments. Extends the sunset provision from January 2006 to January 2012 for a statute that provides a property tax exemption for multi-family rental units that are located in (a) light rail station areas, (b) in transit-oriented areas, or (3) in designated areas. See Revenue Impact of Proposed Legislation (**EXHIBIT 1**), Staff Measure Summary (**EXHIBIT 2**), and proposed SB 839-1 amendment (**EXHIBIT 3**).

039 Ayala Gives background on the bill. There are affordability issues.

060 Chair Deckert Recesses work session, opens public hearing.

PUBLIC HEARING, SB 839

065 Richie Weinman Testifies in favor of SB 839. See written testimony: Support for extending the Multiple Unit Property Tax Exemption (MUPTE)

(EXHIBIT 4). This is one of the few tools available to encourage downtown housing. Without this tax exemption, projects would not go forward in Eugene.

094	Jean Tate	Comments on a project that her company is involved in. It is contingent on receiving this exemption.
099	Sen. George	Asks whether there is any way to assure that the people who are transit oriented and need this are the ones receiving the benefits.
108	Weinman	Eugene doesn't have a transit oriented community. Does not know the answer.
112	Tate	Her project is directed toward elderly people who may no longer be able to drive. She and her husband will live there.
133	Ed McNamara	Testifies in favor of SB 839. See written testimony paraphrased (EXHIBIT 5) . Addresses three points in response to prior core questions: 1) Purpose of the multifamily tax abatement program
170	McNamara	2) Amount of the partial abatement
185	McNamara	3) Cost effectiveness of the multifamily tax abatement linked with affordable housing
201	Sen. Prozanski	Asks, what is the life span of the type of building he is constructing?
205	McNamara	His project is a 100-year building. Continues testimony addressing how this cap is used to develop affordable housing. Notes, there are two ways to use this to produce affordable housing. 1) Requiring affordable units as a percentage of a market-rate abatement building 2) Using the partial abatement for an affordable project with a for-profit developer.
291	McNamara	Concludes, this is the most cost-effective tool developers have. Urges committee's support.
297	Sen. George	Asks question whether reducing the abatement from 10 years to six would affect his decision-making.
311	McNamara	Responds, six years is better than none. There are long lead times on these projects. Developers have to know when they begin their feasibility whether this project will be in place through development. Explains his project has 210 units. People have to verify their income to move there.
340	Chip Lazenby	Testifies in support of extension. This is an important financing tool PDC uses to bring private developers into the affordable housing market. Will supply the committee with data showing that Portland uses this for affordable and low-income housing. Discusses long-range potential in Portland.
432	Vice Chair C. Starr	Wonders why the committee would consider less than a 10-year

extension.

439 Chair Deckert Responds, he could be persuaded to extend it to 10 years. Explains his reasoning for requesting the six-year extension. For the sake of accountability, he wants lawmakers to revisit the sunset in four years.

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REOPEN WORK SESSION, SB 839

030 Chair Deckert Closes public hearing on SB 839, reopens work session, SB 839.

032 Sen. Metsger Expresses support for SB 839-1 amendment. It strikes a balance and gives lawmakers an opportunity to review whether projects are still on track, and assumptions are still valid.

040 Vice Chair C. Starr Expresses concern that a shorter sunset could deter developers from going forward with projects. If the six-year provision is adopted, he would request revisiting the sunset in two years instead of waiting four years.

052 Chair Deckert This bill sunsets in January 2006. It brings folks back to show data so lawmakers can make sure they are getting results.

060 Sen. Prozanski Two years is not enough time to collect data. Suggests compromise of eight years. Is comfortable with SB 839-1 amendments.

084 Sen. George Would prefer a 10-year extension, although SB 839-1 is better than nothing.

090 Chair Deckert Asks Paul Warner whether it is possible to do a conceptual amendment to change six years to eight.

109 Sen. Metsger There's nothing to prohibit people from returning next session with an extension request.

117 Vice Chair C. Starr **MOTION: MOVES ADOPTION OF SB 839-1.**

122 Chair Deckert **ORDER: THERE BEING NO OBJECTION THE CHAIR SO ORDERS.**
VOTE: 5-0-0
MEMBERS VOTING AYE: GEORGE, METSGER, PROZANSKI, STARR, DECKERT

124 Vice Chair C. Starr **MOTION: MOVES SB 839 AS AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.**

126 Chair Deckert **VOTE: 5-0-0**
MEMBERS VOTING AYE: GEORGE, METSGER, PROZANSKI, STARR, DECKERT

PUBLIC HEARING, SB 847

130 Ayala Gives overview of SB 847. See Staff Measure Summary (**EXHIBIT 6**) and Revenue Impact statement (**EXHIBIT 7**). Provides an exemption from property tax for newly-constructed, single-unit, owner-occupied housing units that are located in a city's "distressed" area.

- 196 Sen. Margaret Carter Gives opening remarks in favor of SB 847. See written testimony, paraphrased (**EXHIBIT 9**). "I am pleading and begging on bended knee that you will not allow this bill to go the way of last session. This bill is vitally needed." This is a very successful program in assisting low-income families to home ownership. Invites the committee to Portland to see a HOST development, Charleston Place. HOST is Home Ownership a Street at a Time.
- 265 Chair Deckert Expresses support for SB 847.
- 270 Rep. Gary Hansen Testifies in favor of bill. Served as Northeast Portland county commissioner during a time when this program was being used heavily. It made a great difference. The infusion of quality homes in struggling neighborhoods has helped make dramatic changes. This is vitally important for North and Northeast Portland. This is a great bill, desperately needed.
- 342 Marge Kafoury Testifies in favor of renewal of SB 847. Gives a brief history of the bill, which did not pass in 2001 and 2003. City of Portland has to go through a process that identifies and designates stressed areas. Portland can only designate up to 20% of its land area. Gives reasons for wanting to expand the program to include condominiums. They are more affordable and cheaper to build.
- 416 Sen. Metsger Asks questions regarding school funding issues. If this program were to go forward, would the public school portion of tax be exempted?
- 445 Kafoury Responds, the city is required to go to other taxing jurisdictions for permission. There has been declining enrollment and schools are closing. The program benefits school districts by re-encouraging families to return to the districts.

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- 038 Brian Morisky Testifies in favor of SB 847. See written testimony paraphrased (**EXHIBIT 10**). This program is currently used as a tool for affordable housing. It has a price cap of \$170,000; maximum family income is \$67,900 for a family of four. Homes need to be owner-occupied. Urges the committee to reauthorize the program.
- 070 Chair Deckert Asks, what are the ramifications of renewing a program that's been inactive for a few years?
- 076 Kafoury Refers members to Section 10, a look-back provision that allows stranded families who were in the process of applying before the program ended to be processed.
- 086 Chair Deckert Asks how many people were stranded.
- 090 Morisky Responds, about 230 people. Most will say they can't afford to purchase homes now that the program is down.
- 120 Kafoury Restates, Section 10's intent is for only those who are already in line for the tax abatement. It is not retroactive.

PUBLIC HEARING, SB 996

- 158 Phil Donovan Introduces the panel who will testify on behalf of the Association of Oregon Housing Authorities and Oregon Housing Alliance. Notes photographs being circulated among committee members of Southview Terrace Apartments in Salem (**EXHIBIT 11**).
- 196 Bill Van Vliet Gives brief background of NOAH. Responds to earlier question, what is state's role in meeting affordable housing needs. State should focus on programs that leverage private capital. The Oregon Affordable Housing Tax Credit (OAHTC) does that.
- 227 Van Vliet Directs members' attention to handout (**EXHIBIT 12**). Notes, in order to serve same population without benefit of OAHTC, a loan would have to be reduced by \$500,000. All benefit goes to renters in the form of lower rents; lenders get no benefit from this credit.
- 251 Van Vliet Page 2: OAHTC Impact Analysis gives graphic examples of households with and without this program. All the benefit goes to the tenants in the form of lower rent. More than 100% of the tax credit goes to achieving the public policy objective. This is very rare.
- 289 Van Vliet Looks at middle chart on page 2 – Lower Rents With OAHTC. The current cap of \$6 million has been reached and has resulted in fewer allocations being moved forward. Asks to raise cap to \$11 million. Would like to see the sunset provision extended.
- 316 Van Vliet Comments on the third chart – Lower Rents Without OAHTC. At \$11 million the program becomes self-sustaining. In closing, asks for increase and extension of the sunset. Benefits include job creation and affordable housing.
- 364 Jerry Croft Testifies in favor of SB 996. See written information (**EXHIBIT 13**) and related photographs of Southview Terrace Apartments on Fairview Avenue in Salem (exhibit 11). Gives profile of Southview. Points to table at bottom of page 1.
- 446 Tate Testifies in favor of SB 996. Ms. Tate is an unpaid nonprofit developer. Metropolitan Affordable Housing has built a number of projects in Eugene; in the OAHTC project, they were able to lower rental rates. They have a waiting list over 150. Asks the committee to continue this.

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- 024 Weinman See written testimony paraphrased (**EXHIBIT 14**). Eugene has been experiencing a housing crisis for 15-20 years. The number of affordable housing units has not kept up with the need. Indirect cost to the community is significant, in public safety, education and other issues. Having a short sunset creates more difficulties.
- 059 Sen. Prozanski Commends Ms. Tate for continuing to put her energies into low income housing development.
- 075 John Blatt Introduces a panel from the Association of Oregon Community Organizations who will testify in favor of SB 996. See written testimony (**EXHIBIT 15**).
- 089 Diana Critanovich Without access OAHTC, the organization could not do projects in rural

		areas. Gives example of units in Lebanon and Sweet Home. Development costs are rising because cities need to raise their fees. Interest rates are increasing and the housing authority is seeing reductions in subsidies.
137	Jamie Bishop	Recently transitioned back into the work force. She's a single mother of three, and half of her income goes to day care costs. Now she is looking forward to purchasing her first home. Could not do this paying market rate.
176	Blatt	Comments on the economic impacts of these developments in rural areas.
199	Chair Deckert	Closes public hearing SB 996. Adjourns meeting at 10:12 a.m.

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. SB 839, Revenue Impact of Proposed Legislation, 3/28/05, Ayala, 1 pp.
2. SB 839, Staff Measure Summary, 3/28/05, Ayala, 1 pp.
3. SB 839, -1 amendments, 3/28/05, Ayala, 1 pp.
4. SB 839, testimony of Richard Weinman, 3/29/05, 1 pp.
5. SB 839, testimony of Ed McNamara, 3/29/05, 4 pp.
6. SB 847, Staff Measure Summary, 3/29/05, Ayala, 1 pp.
7. SB 847, Revenue Impact of Proposed Legislation, 3/29/05, Ayala, 1 pp.
8. SB 847, letter from Tom Walsh & Co., 3/24/05, 1 pp.
9. SB 847, testimony of Sen. Margaret Carter, District 22, 3/29/05, 3 pp.
10. SB 847, testimony by City of Portland, Portland Development Commission, 3/29/05, Morisky, 2 pp.
11. SB 996, photographs of Southview Terrace Apartments, Donovan, 6 pp.
12. SB 996, Oregon Affordable Housing Tax Credit (OAHTC) Information, 3/29/05, Van Vliet, 3 pp.
13. SB 996, Salem Housing Authority, Southview Terrace Apartments profile, 3/29/05, Croft, 2 pp.
14. SB 996, testimony of Richard Weinman, 3/29/05, 1 pp.
15. SB 996, testimony of John Blatt, executive director of AOCD, 3/29/05, 1 pp.
16. SB 996, Revenue Impact of Proposed Legislation, 3/28/05, staff, 1 pp.