

**SENATE REVENUE COMMITTEE**  
**MARCH 4, 2005 9:00 AM PORTLAND METRO**

Members Present: Senator Ryan Deckert, Chair  
Senator Rick Metsger  
Senator Charles Starr, Vice Chair

Members Excused: Senator Gary George  
Senator Floyd Prozanski

Witnesses Present: Rex Burkholder, Metro Councilor  
Steve Rudman, Housing Authority of Portland  
Jean DeMaster, Housing Human Solutions  
Carla Piluso, Chief of Police, Gresham, Human Solutions Board  
John Charles, Jr. Cascade Policy  
Institute Steve Schopp, community activist

Jerry Ward, PDC N. Macadam Urban Renewal Advisory Committee  
Liz Callison, community activist  
Peter Hainley, CASA  
Phil Kalberer, Kalberer Company; Oregon Food Bank  
Bill Van Vliet, Network for Ore. Affordable Housing  
John Epstein, Wells Fargo Bank, NOAH  
Tim Martinez, Oregon Bankers Association  
John Larson, First Federal, McMinnville  
Martha McLennan, Northwest Housing Alternatives  
Sheila Greenlaw Fink, Community Partners for Affordable Housing  
Sarah Buckley, Community Alliance of Tenants  
Kate Allen, The Enterprise Foundation  
CeCe Van Horn, Portland resident  
Larry Bowen, Clean & Sober Living Washington County  
Terry McDonald, St. Vincent DePaul of Lane County  
Connie Paschall, Recovery Association Project (RAP)  
Gary Cobb, Recovery Association Project  
Meghann Hughes, RAP  
Daniel Cashman, RAP  
Danny Grall, RAP  
Mary Stewart, RAP  
Reynard Delcambre, RAP  
Bob Repine, Housing and Community Services  
Janet Wolf, League of Women Voters of Oregon  
Marian Drake, citizen  
Jim Cuevas, citizen  
Erisa Springer, citizen  
Jerry Croft, Association of Housing Authorities  
Brian McCarl, B. McCarl & Co.  
Don Clark, Assoc. of Oregon Housing Authorities  
Chris Bonner, Hasson Co. Realtors  
Jennifer Robbins, Cascade AIDS Project

Pat Mobley, citizen  
Michael Anderson, citizen  
Tom Wiser, Tax Fairness Oregon  
Frances Baker, citizen  
The Rev. Carolyn Palmer, Special Concerns Ministries  
Dr. Gerry Uba, Metro planner  
Dolores Raymond, Governors Commission on Senior Services  
Dr. Benjamin Ouvre, Commissioner, Elders in Action  
Tom Benjamin, citizen  
John Blatt, AOCDO  
Rick York, citizen  
Gordon Hillesland, citizen

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

\* **NOTE:** Sequence of tapes runs 53 A-B, 54 A-B, 55 A-B and 56 A-B.

**TAPE 53, SIDES A-B**

011	Chair Deckert	Calls meeting to order at 9:10 a.m. Committee will discuss affordable housing issues, and consider SB 996 and SB 480.
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**WORK SESSION, SB 480**

023	Paul Warner	Updates committee on SB 480, which deals with taxpayer compliance. Committee has spent three weeks working on this bill. It is in its third amendment for redraft to meet timelines. Next week a policy issue involves tax amnesty and whether non-filers who have been sent notice of deficiency would be eligible for amnesty. Dept. of Revenue is also preparing a fiscal impact statement.
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040	Chair Deckert	Bill has two parts: voluntary compliance and general amnesty.
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**PUBLIC HEARING, SB 996**

051	Lizbeth Martin-Mahar	Gives overview of SB 996. See Staff Measure Summary ( <b>EXHIBIT 1</b> ). Changes annual cap on the amount of affordable housing tax credits that the Housing and Community Services Department can certify. Gives brief history of bill and affordable housing tax credit.
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080	Martin-Mahar	Directs members' attention to Affordable Housing Tax Credit Utilization graphs ( <b>EXHIBIT 2</b> ).
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112	Rex Burkholder	Welcomes committee to Metro. Gives overview of Housing Alliance and its relationship to Metro's mission. Metro is beginning phase 2 of affordable housing strategy to focus on barriers to housing production. Metro needs sufficient resources to implement its strategies. Asks state to help support Metro's efforts with Housing Trust Fund Grants and Oregon Affordable Housing Tax Credit.
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159	Steve Rudman	Introduces Housing Alliance members. This is the first significant deliberation on the affordable housing crisis in years. Prospects for the near future are bleak. Housing is so expensive that working families
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can't afford to purchase food and other necessities. Affordable housing is a key to stability and economic opportunity. Over 30 organizations have come together to address poverty and its relationship to housing.

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| 201 | Carla Piluso      | Explains Human Solutions, which serves over 20,000 homeless people. It develops affordable housing, but the need far outdistances the ability to fill the need. Cites examples of need for services in Gresham. They are families with children who have nowhere else to go.  |
| 227 | Piluso            | Notes, people who live in poverty commit crimes and are victims of crimes. Domestic violence and sexual abuse are more common in the poor. A key to breaking the cycle of poverty and violence is affordable housing. It's crime prevention at its finest.  |
| 257 | Jean DeMaster     | See written testimony verbatim, Human Solutions ( <b>EXHIBIT 4</b> ). Has been working on homeless issues 31 years. Has found lack of affordable housing is a primary cause of homelessness. Gives examples of homeless families.   |
| 344 | DeMaster          | Continues, public funding needs to be available to stimulate development of affordable housing (page 3). Increasing Oregon Affordable Housing Tax Credit (OAHTC) is one way to do this. Increasing funding in the Oregon Housing Trust Fund is another way.   |
| 363 | Chair Deckert     | Asks, what is the state's role, giving budget constraints?  |
| 376 | DeMaster          | Responds, increase the housing trust fund, lower other costs such as detox centers, and keep kids in school.  |
| 388 | Rudman            | Comments, Washington state has similar challenges. There are creative solutions. State's role is to make sure all communities have ways to address their own issues. The two things being discussed today are the most creative so far, but there are other solutions.  |
| 406 | Chair Deckert     | It is helpful to look at other states to help chart Oregon's course. Many of us have bought into the notion that affordable housing saves costs down the road.  |
| 460 | John Charles, Jr. | Testifies against bill. Problem with tax credit is that its complexity dissipates the benefits to low income people. Study done in 1997 comments that soft costs range from 10 to 44% of development costs. Funding source has the largest impact on soft costs. Approach of trying to subsidize housing at the margin is a hopeless strategy. Gives reasons why. |
| 016 | Charles           | Continues, the existing market has been harmed through over-regulation. Directs members' attention to The Oregon Housing Cost Study, January 1999 ( <b>EXHIBIT 5</b> ) page 2. Through down-zoning and growth boundaries, the state has created urban cartels. Purpose of a cartel is to artificially raise the price.  |
| 037 | Charles           | Figure 6 graph depicts price differentials. If the cartel didn't exist, the   |

high-priced land would drop and low-priced land would drop. Affordable housing builders need inexpensive land on which to build.

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| 052 | Charles       | Continues discussing exhibit 5. See Affordable Housing Cost Study, December 1997 top graph on page beginning "Table of Contents" – Cost of Housing: All Developer Types. Details price per square foot.   |
| 085 | Charles       | Notes last segment of exhibit 5, The Impact of Zoning on Housing Affordability.   |
| 099 | Charles       | Gives brief description of evolution of Parkrose in Northeast Portland. Many of Oregon's finest neighborhoods were developed with no zoning.  |
| 145 | Charles       | Concludes: In analyzing cities across the country, it appears higher housing costs reduce housing output. Metro knows this and decided on a high-cost housing plan anyway. Recommends increasing land supply substantially and promoting low-cost construction techniques along with low-cost land. Stop trying to link housing to billion-dollar transit projects. Also, getting people into automobiles increases the likelihood people will get better jobs. See Automobile Ownership, Employment and Income: What the Data Reveal ( <b>EXHIBIT 7</b> ). |
| 187 | Chair Deckert | Notes a study that compares Portland to Denver. It compares the issue of land values.   |
| 212 | Steve Schopp  | Testifies in opposition to the bill. As a contractor, he has watched land-use over the last 30 years. Speaks of identifying of essential resources. There's an effort to create new revenue, but a critical need to take a look at where the revenue is going. See Property Tax Exemptions and Diversions ( <b>EXHIBIT 8</b> ). Discusses graph on page 1.  |
| 265 | Schopp        | See written testimony ( <b>EXHIBIT 9</b> ). Gives example a story of an out-of-control situation, in today's Oregonian. Urban Renewal Advisory Committee members were never given the name of this business or a business plan. This is a pattern. Recommends that the committee read the National Education Association report, Protecting Public Education From Tax Giveaways to Corporations ( <b>EXHIBIT 10</b> ).  |
| 290 | Jerry Ward    | Testifies in opposition to the bill. Urban renewal sometimes jeopardizes affordable housing projects. North Macadam 12 years ago was rezoned from industrial to mixed use, and property values went up. Various developers had plans. Urban renewal carrot was stuck out – free money – it could have been developed without urban renewal.   |
| 348 | Ward          | Amount of money put in was \$280 million; only \$5 million is allotted for affordable housing. Also, DoubleTree hotel site is generating \$1.5 million in tax revenue. That money will be lost because PSU is going to own it. It could have gone to affordable housing.  |
| 369 | Ward          | We need to ask, when do urban renewal districts end, and how do we reduce its effect on affordable housing. State needs to restructure its taxes on urban renewal.  |
| 386 | Chair Deckert | Notes, lawmakers are considering two amendments to address this.  |

392	Liz Callison	Asks committee to consider the question of state funds invested for housing and commercial development in flood-prone areas. Look at what areas the state would allow to be eligible for affordable housing assistance. Look at areas and take away their eligibility.
442	Chair Deckert	This is something the committee can consider.
466	Peter Hainley	Represents Housing Alliance's 4 Point Housing Opportunity Agenda (exhibit 3, page 3: Our Action Agenda). See written testimony, paraphrased. CASA of Oregon ( <b>EXHIBIT 11</b> ). Casa provides housing for farm workers and other low-income families. Both these funds are critical, especially in order to start new projects.

**TAPE 54, SIDES A-B**

004	Hainley	CASA wants to get people out affordable housing and into home ownership. Viable projects are getting passed over. Urges members to pass SB 996 and expand the trust fund. The Housing Alliance will put together some information to address Chair Deckert's questions concerning the state's role.
033	Phil Kalberer	Represents Oregon Food Bank. Its mission is to eliminate hunger at its root causes. Lack of affordable housing is one of those root causes. In 2004 Food Bank distributed food to one in 5 people in the region. Most were working, retired or disabled. Half had children. 51% spent half or more of their income on housing.
061	Kalberer	Refers to points 3 and 4 of Housing Alliance agenda (exhibit 3).
088	Chair Deckert	Requests Tim Martinez, others, to address issue of whether state is losing 10-40% through the tax credit to the financial interests.
096	Bill Van Vliet	Speaks to Oregon Affordable Housing Tax Credit. This is one of the most efficient public subsidy programs that there is. 100% of lost revenue goes toward public policy goals. It is low cost to administer.
125	John Epstein	NOAH has over 20 member banks that use these credits throughout Oregon. It's used efficiently by private sector. With tax credits, banks charge a 3.5% interest rate. Incremental savings is directly passed through a specific property in rent reduction for tenants. Close to 100%, if not more, goes to the homebuyer.
158	Tim Martinez	Echoes Mr. Epstein's testimony. Tax credit is a good example of a partnership between public and private sector. OBA has worked to develop homeowner assistance program. Was switched by legislature to create a revolving fund. Since 1996 over 500 families have been put into homes. Every dollar goes to homebuyers.
190	Chair Deckert	Was not aware of 1997 study.
204	Epstein	Explains why affordable housing can't be financed by market rate. Goal is a family cannot spend more than 30% of its income on housing. Expenses are the same to build affordable house at market rate. Builder must find equity. Housing Trust Fund brings equity into a project to drive rents lower. Federal subsidies are not enough to get

the rents reduced. Combination of federal and state are needed.

266	John Larsen	Comments, the infrastructure is in place to efficiently use these tax credits. Having infrastructure in place allows small lenders like First Federal to get involved.
290	Chair Deckert	Asks if First Federal would have to turn good projects away if it had a \$6 million limit.
298	Van Vliet	Responds, that's happening now.
318	Martha McLennan	Introduces members of a dramatic presentation: How affordable housing gets developed. Cast includes Sheila Greenlaw Fink, Bill Van Vliet, and Sarah Buckley.
325	Sarah Buckley	A woman, Sarah, and her son are looking for a home under \$500. She goes to Community Partners for Affordable Housing for help.
399	Sheila Greenlaw Fink	Welcomes Bill and Kate, tells them about Sarah's plight.
412	Van Vliet	Walks through a spread sheet ( <b>EXHIBIT 12</b> ) in an attempt to figure out how to meet Sarah's needs.
502	Van Vliet	Concludes, the only way to help people like Sarah is if the legislature increases the cap on the program. SB 996 has been introduced to raise that cap.
002	Buckley	This gives her hope, it's only 1/3 of her earnings.
018	CeCe Van Horn	Shares personal story on how the affordable housing program gave her the help she needed to get off drugs, get off the streets and succeed. She became a first-time homebuyer. Today her leukemia is in remission so her disability has been cut off and she can't pay her mortgage.
098	McLennan	Takes points from Ms. Van Horn's story to illustrate challenges faced in developing affordable housing. First, it takes a long time. Competition for subsidy sources is great. Also, there might be 12 different funding sources for one project.
133	McLennan	Answers question of what the soft costs are and why they are so high. They include building permits, fees, architectural, engineering, survey, appraisal, closing costs, etc. Affordable housing also has heightened legal and accounting costs. Bulk of costs are associated with federal low income tax credits.
160	McLennan	Northwest Housing Alternatives is involved in housing projects around the state. It just completed large family project in Southeast Portland. Programs are all taking advantage of state resources.
190	Larry Bowen	Washington County Community Housing Fund board helps make projects work. Works with special needs housing. All clients are homeless people who come from corrections. They are working through mental health issues, etc. The Community Housing Fund

partners with several groups to help address basic needs. They are seeing a lot more involvement in faith-based community and other nonprofits.

- 235 Bowen In making tough decisions in affordable housing, asks the state to take into consideration the fact that organizations are trying to find other income sources. The population he works with has no income.
- 254 Terry McDonald St. Vincent De Paul deals with affordable housing in Lane County. Affordable housing throughout rural Oregon is a critical need. Without additional support through tax credit program, one project in Springfield will not be funded. 4% finance makes it affordable. Oregon also has to compete for other scarce resources. Leveraging from putting this interest subsidy into the program brings in new resources that would not be there otherwise.
- 300 Chair Deckert Asks for a ballpark figure on leveraging.
- 305 McDonald Washington state receives 40% of affordable housing program funds every year; Oregon gets 10% or less. Could easily double that number if it had better projects and better leveraging associated with them. That equates to over \$1 million a year. This tax program is one of the few critical pieces we have.
- 325 Connie Paschall and guide dog Brumbi How would people be harmed if Section 8 and low income housing winds up with funds cut? They would become homeless. Gives example of her mother who lives in Section 8 housing, and how a cut would affect her. She fears Section 8 cuts will make disabled people like herself homeless. "I want to believe you will be able to listen with your ears, and feel with your hearts."
- 306 Gary Cobb See Accomplishments – Recovery Association Project (**EXHIBIT 13**) RAP is a vehicle for people in recovery to speak out for recovery. Was homeless 4 ½ years ago, suffered mental health problems and drug addiction. Now he's employed in a treatment facility where he can mentor others. This came about because he was able to access affordable housing. He's concerned that others won't get the same opportunities.
- 466 Chair Deckert Senator Charles Starr has been a leader in the legislature for recovery programs.
- 475 Daniel Cashman Shares personal story. Formerly homeless addict in Portland. He's now in a residential recovery program and it's given him a chance to learn how to live. Having a place to live has given him a place to live.

**TAPE 55, SIDES A-B**

DUE TO A MALFUNCTION, THIS TAPE IS BLANK. NOTES WERE TAKEN FROM ORAL TESTIMONY DURING THE COMMITTEE MEETING.

- Meghann Hughes Shares personal story. Abused child, alcoholic and battered wife. Homeless several times. Aug. 2 she received housing and will never forget how she felt when she got her own room. Has hope now, and

	self-respect. So filled with gratitude for her home, comfort and safety.
Chair Deckert	Thanks Hughes and others for their stories.
Danny Grall	Shares personal story. Detox recovering from meth. Was involved in criminal acts. Mentors helped him get into housing. They were very understanding. Was successful as an out-patient because he had housing. He has been clean 6 months and can now be productive.
Bob Repine	Testifies on behalf of League of Oregon Cities. See Setting the Standard, Oregon Housing & Community Services 2003-2005 Strategic Plan ( <b>EXHIBIT 14</b> ). \$134 million in tax credits has created several housing units. Leveraged almost \$700 million in construction. Over 7,000 units over an extended period of time. Unlike most tax programs, this one can be traced down to the consumer.
Repine	At its height the program received \$12.5 million per year and could handle 15 loans and 30 projects. In 2004 that figure was reduced to \$6.2 million and 10 loans. Current year \$6 million. Also not getting same affordability. Program houses seniors, disabled and substance abusers.
Janet Wolf	See written testimony, League Women Voters of Oregon ( <b>EXHIBIT 15</b> ) verbatim. Asks committee to consider the proposal to repeal ORS 197.309, supports increasing by \$5 million.
Marian Drake	Gives personal story, suffers from bipolar disorder. As a result, lives in subsidized housing. Remembers the days when housing was not expensive. Housing shortage is pushing people into crowded, illegal conditions that are not healthy. Asks committee for its help.
Reynard Delcambre	Gives his story. Clean 8 months. Because of temporary housing during recovery, he's now a law-abiding taxpayer and not a tax burden. Asks senators to continue to support low income housing.
Jerry Croft	See AOHA, Association of Oregon Housing Authorities 2005 Section 8 Housing Assistance Shortfalls verbatim ( <b>EXHIBIT 16</b> ).
Don Clark	Panel consists of Brian McCarl, Don Clark and Chris Bonner. With limited funding, we're looking at creative ways to provide funding other than federal. Expresses strong support for the work of the various Oregon housing services.
Chair Deckert	Interim is the time to develop a longer-term focus and elevate discussion on affordable housing.
Erisa Springer	Gives personal testimony on importance of affordable housing. Is 56 years old and divorced. To succeed, you need a place to call home. Her husband walked out. If not for help after her nervous breakdown, she would have been homeless.
Jennifer Robbins	Cascade AIDS Project. For individuals with HIV housing is health care. Without affordable housing patients can't access their other services. For homeless clients, housing is the critical issue. Other issues get pushed to the side. AIDS Project is facing \$94,000 in



	federal budget cuts. The number on the waiting list is increasing.
Pat Mobley	Stresses the need for long-term solutions of affordable housing and funding. Oregon Realtors Association has invested \$1.2 million in campaign contributions since 1994. Organizations don't just give out money, they want something in return.
Chair Deckert	This committee will judge on merits of a bill and not on who gave them money.
Michael Anderson	Speaking for Nick Sauvie. Housing is a great investment, it gives people the opportunity to build better lives.
Tom Wiser	Comments on the Impact of state involvement in this issue.
Frances Baker	Testifies about children of homeless families. State has to consider their education. Also comments on the mentally ill population. Supports Sen. Courtney's efforts to close the Oregon State Hospital, but the residents need a place to live. The number of mentally ill on the streets is a disgrace. Heard that the money earned for selling Damish property was earmarked for affordable housing. Is that true?
Baker	Final comment, the population of homeless will skyrocket in the next few years because the cost of housing has skyrocketed.
Rev. Carolyn Palmer	Testifies in favor of SB 996. Comments on Action Agenda (exhibit 3) proposals.
Palmer	Proposal 3: Create a low-income renters' income tax credit
Palmer	Proposal 4: Repeal pre-emption legislation that prohibits local jurisdictions requiring affordable housing as a condition of development approval
Gerry Uba	Testifies in favor of affordable housing on behalf of Metro. See <b>EXHIBITS 17-20</b> . Refutes previous comments on urban boundaries. Reports say urban growth boundaries are not the reason for housing price increases in Portland. Studies have demonstrated this region has done well in the way infrastructure costs are controlled. Housing supply has increased. How does this relate to tax credits? If it's reduced, it will reduce housing supply. To set record straight, our job is to handle urban growth boundaries. It's not the reason for housing price increases.

**TAPE 56, SIDE A**

002	Chair Deckert	Closes public hearing on SB 996 at 12:00 p.m. Adjourns Senate Revenue Committee.
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Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. SB 996, Staff Measure Summary, 3/3/05, Martin-Mahar, 1 pp.
2. SB 996, Affordable Housing Tax Credit Utilization: 1998-2002, 3/3/05, Martin-Mahar, 1 pp.
3. SB 996, Senate Revenue Committee Hearing Metro Council Chambers, Metro Building, Welcome to Metro, Burkholder, 8 pp.
4. SB 996, Human Solutions, testimony, DeMaster, 3 pp.
5. SB 996, Cascade Policy Institute, The Oregon Housing Cost Study, January 1999, Charles, 8 pp.
6. SB 996, North Macadam Developers' donations to City Councilors (2002-04), Charles, 1 pp.
7. SB 996, Cascade Policy Institute, Automobile Ownership, Employment and Income: What the Data Reveal, Charles, 2 pp.
8. SB 996, Property Tax Exemptions and Diversions, Schopp, 4 pp.
9. SB 996, Tower in Pearl a gem for low-income elderly, public testimony, February 2, 2005, Schopp, 4 pp.
10. SB 996, Protecting Public Education From Tax Giveaways to Corporations, January 2003, Schopp, 60 pp.
11. SB 996, CASA of Oregon, Testimony of Peter Hainley, CASA of Oregon Regarding SB 996, Senate Revenue Committee, Friday, March 4, 2005, 2 pp.
12. SB 996, Base Case; Base Case – Lower Rents, Van Vliet, 1 pp.
13. SB 996, Accomplishments – Recovery Association Project, Cobb, 2 pp.
14. SB 996, Setting the Standard: Oregon Housing & Community Services, 2003-05 Strategic Plan, Repine/Wolf, 20 pp.
15. SB 996, League of Women Voters of Oregon, March 4, 2005, Repine/Wolf, 1 pp.
16. SB 996, AOHA: Association of Oregon Housing Authorities, 2005 Section 8 Housing Assistance Shortfalls "Executive Summary", March 4, 2005, Croft, 2 pp.
17. SB 996, Brookings Institution Report: Urban Growth Boundaries Not Guilty of Causing Affordable Housing Shortage, 10/7/02, Uba, 3 pp.
18. SB 996, Impact of Urban Growth Boundaries Studies and Reports, Updated September 2003, Uba, 1 pp.
19. SB 996, Correcting the Record: Comparing development policy in Portland, Oregon and Atlanta, Georgia, Uba, 6 pp.
20. SB 996, Housing Policy Debate, Volume 13, Issue 1, Uba, 53 pp.
21. SB 996, e-mail to Senate Revenue Committee, Affordable Housing Hearing, 3/4/05, Testimony by Dolores Raymond, Raymond, 2 pp.