

SENATE REVENUE COMMITTEE
APRIL 4, 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: Marge Kafoury, City of Portland
Mark Nelson, Housing Alliance
Bob Repine, Oregon Housing Community Services
Chip Lazenby, Portland Development Commission
Alec Jenson, Tualatin Valley Fire and Rescue
John Williams, Oregon City former mayor
Michelle Deister, League of Oregon Cities

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

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005 Chair Deckert Calls meeting to order at 8:45 a.m.

WORK SESSION, SB 847

016 Mary Ayala Gives overview of SB 847. Provides a ten-year exemption from property tax for newly-constructed, single-unit, owner-occupied housing units that are located in a city's distressed area. See Staff Measure Summary (**EXHIBIT 1**). Gives brief review of prior public hearing discussion including testimony by City of Portland and Portland Development Commission.

060 Ayala Discusses Revenue Impact of Proposed Legislation (**EXHIBIT 2**).

068 Chair Deckert Asks for an explanation how those who were already in the program when it was sunset would be allowed to participate.

074 Marge Kafoury Explains, they would be treated exactly the way any new applicant would be treated under this legislation. This is not retroactive. There are perhaps 20 individuals covered by in PDC who are eligible.

108 Sen. Metsger **MOTION: MOVES SB 847 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.**

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

WORK SESSION, SB 996

- 115 Lizbeth Martin-Mahar Gives overview of SB 996. Increases the annual cap on the amount of affordable housing tax credits that the Housing and Community Services Department can certify to \$11 million. See Staff Measure Summary (**EXHIBIT 3**) and Revenue Impact of Proposed Legislation (**EXHIBIT 4**). Notes, SB 996-1 amendment does not have a big impact (**EXHIBIT 5**). Revenue impact increases gradually.
- 145 Mark Nelson The Housing Alliance does not think the \$11 million cap will be self-sustaining forever, but believes it will take up to 10 years to reach it. The Housing Alliance is currently at its limit at \$6 million, which is the reason for requesting the increase.
- 156 Bob Repine As directed, OHCS did a run on \$9 million vs. \$11 million scenarios to figure how long it would take to reach the cap. Recalls his testimony at the public hearing in Portland March 4, in respect to a \$14 million cap.
- 169 Chair Deckert Asks, are there enough projects to do in 2005-07 to get to the \$11 million figure?
- 174 Repine Explains deviation between \$9 million and \$11 million figures. There is a 200% over-subscription of credits and OHCS is allocating those out.
- 197 Sen. Metsger Regarding fiscal impact, are the numbers for both caps over and above the numbers of the credit program?
- 203 Martin-Mahar Yes.
- 211 Vice Chair C. Starr **MOTION: MOVES ADOPTION OF SB 996-1.**
- 213 Chair Deckert **ORDER: THERE BEING NO OBJECTION THE CHAIR SO ORDERS ORDERS**
VOTE: 5-0-0
MEMBERS VOTING AYE: GEORGE, METSGER, PROZANSKI, C. STARR, DECKERT
- 215 Vice Chair C. Starr **MOTION: MOVES SB 996 AS AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION**
VOTE: 5-0-0
MEMBERS VOTING AYE: GEORGE, METSGER, PROZANSKI, C. STARR, DECKERT

WORK SESSION, SB 412

- 220 Chair Deckert Thanks Sens. Prozanski and C. Starr for their hard work on SB 412.
- 228 Sen. Prozanski Reports on the results of the workgroup. See RE: Recommendations from the Urban Renewal Workgroup, March 24, 2005 minutes (**EXHIBIT 6**). The group came up with two consensus items to move forward on.
- 1) Require notice be given to special service districts in areas that could be impacted by an urban renewal
 - 2) An urban renewal authority would be allowed to certify less than the maximum amount
- The workgroup also looked at possible opt-out provisions for schools and fire protection districts, but there was no consensus.

273	Vice Chair C. Starr	Concurs with Sen. Prozanski's statements.
287	Ayala	Gives overview of SB 412-1 amendments. See Staff Measure Summary (EXHIBIT 7). Also see SB 412-1 amendments (EXHIBIT 8). Proposes that whenever an urban renewal plan is created or substantially changed, the local governing authority must issue a public notice and invite local taxing districts to a public hearing. This results in more public involvement. The workgroup discussed several situations in which a project may have been funded and deteriorated relative to the funding period. Usually the duration of a funding period is shorter than the lifespan of a project.
360	Ayala	The workgroup came forth with two recommendations. There are three options to establish funding, and this would create a fourth.
376	Chair Deckert	Asks, what happened to the proposal that would allow a district in the middle of a development to levy less?
379	Ayala	Responds, the group discussed this, but this bill does not address it.
389	Chair Deckert	Asks whether the group discussed extending the life of a taxing district.
395	Ayala	The workgroup is hoping that this process will alleviate the various issues.
411	Sen. Prozanski	Responds, this is what he and Vice Chair C. Starr had in mind.
437	Chair Deckert	Invites a panel to represent the various points of view.
447	Chip Lazenby	Concurs with Dr. Ayala's description of the amendments. They capture the local flavor of these decisions. Also the under-levy could occur each year. It maximizes local decision-making while encouraging collaboration among local districts.

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024	Alec Jenson	Tualatin Valley Fire and Rescue concurs that the recommendations reflect largely what the committee came up with. However, his recollection differs slightly with the opt-out issue. The workgroup consensus was that there would not be a consensus. Explains the fire district's position on opt-out is not automatic, but to give cities and counties the choice to opt out at the beginning of the process.
045	Chair Deckert	Asks if there were arguments against this.
054	Jenson	Comments, the one argument he heard against opt-out is the "slippery slope". That is, give cities and counties the ability to opt out today, and next session they'll be back asking for automatic opt-out.
065	Lazenby	Responds to the Chair's point concerning the timeframe in which a developer can extend the time in which to borrow more funds. Extensions are not included in this definition of amendments. Would be fine with adding this: "Extensions of time in which districts may incur further debt" is a concept that would capture part of the concerns of the special districts.

075	Chair Deckert	Comments on the permissive nature for cities and substantial change definition.
080	Sen. Prozanski	Comments on the substantial change component. The workgroup anticipated this would be part of it. Regarding permissiveness of opting out for a special district, it was never discussed or considered as an option during the workgroup. Expresses surprise that urban renewal districts don't have that authority already. They should have that option.
098	Vice Chair C. Starr	Does not understand how it's been excluded. He thought it was in the definition.
105	Lazenby	For clarity's sake, it might be good to put it in the amendments.
118	Sen. Metsger	Asks for Lazenby's response to the opt out issue. Asks for a compelling argument why districts shouldn't be trusted with this tool.
130	Lazenby	It is not an issue of trust; it's a matter of the sequence in which districts come into existence and the way the bond market looks at them. In the amendments is a proposal that allows districts to review their needs and just levy that amount for urban renewal, while disbursing any excess value to special districts.
144	Sen. Metsger	Is not talking about the future, is talking about revenue sources at the head of the project.
158	Lazenby	Contends, the committee would have to consider some sort of mechanism for those who opt out not sharing in the appreciation of the investment. That's not something that can be accomplished this legislative session.
176	John Williams	Agrees with Lazenby, but the reality of long-term impacts of urban renewal plans needs to be recognized. A plan being contemplated in Washington County has a 45-year window.
191	Lazenby	Uses personal home financing as an example. Special districts also benefit short-term from increased valuation, so that's a red herring argument.
204	Sen. Metsger	Asks if a jurisdiction could opt out at the head of a project, and be required to adopt a refinancing plan for that jurisdiction.
229	Lazenby	Responds, there are unique circumstances involving urban renewal. Can only speak for how cumbersome it would be in Portland. In some of the older urban renewal districts a significant amount of investment has gone on. Debt is already going back to jurisdictions as a direct result of the urban renewal investments. This would be difficult if opt out were in the front end.
244	Sen. Prozanski	It sounds as though it will be special services districts opting out. In reality it would be the urban renewal district making that decision. Uses school funding as an example. Understands PDC's concerns. On the permissive side, the control is still within the urban renewal

district.

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| 276 | Lazenby | Makes two observations:
1) In most jurisdictions around Oregon, local elected officials exercise the authority
2) The issue of supporting schools is addressed by the under-levy procedure |
| 299 | Chair Deckert | Comments, this is hard to conceptualize because it's permissive and allows a jurisdiction to make a plan but leave out a local fire district, for instance. It's hard to rationalize why they shouldn't have that ability. |
| 319 | Lazenby | Responds, the investment model is what really drives this. |
| 334 | Sen. Prozanski | Is hearing that the permissiveness will allow another tool, not take anything away. Is hearing that special districts will be given the opportunity to opt out on the front end as opposed to waiting. |
| 369 | Michelle Deister | Comments, this will help special districts at the beginning to talk about the kinds of projects that will be most helpful to them. That kind of cooperation at the outset can help mitigate the problem. Making it so that districts that don't participate won't share in windfalls is a much larger discussion, in which the Dept. of Revenue should be involved. |
| 422 | Chair Deckert | Clarifies what new amendments (-2 and -3) would address. Will reschedule this bill for Thursday to answer questions whether to allow permissive opt out language. |

TAPE 85, SIDE B

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| 020 | Sen. Prozanski, Chair Deckert | Continue discussion on contents of -2 and -3 amendments. |
| 046 | Chair Deckert | Closes work session on SB 412. Adjourns meeting at 9:45 a.m. |

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. SB 847, Staff Measure Summary, 4/01/05, Ayala, 1 pp.
2. SB 847, Revenue Impact of Proposed Legislation, 4/1/05, Ayala, 1 pp.
3. SB 996, Staff Measure Summary, 4/1/05, Martin-Mahar, 1 pp.
4. SB 996, Revenue Impact of Proposed Legislation, 4/1/05, Martin-Mahar, 1 pp.
5. SB 996, proposed -1 amendments, Martin-Mahar, 1 pp.
6. SB 412, minutes: Recommendations from the Urban Renewal Workgroup, 3/24/05, Prozanski, 16 pp.
7. SB 412, Staff Measure Summary, 4/1/05, Ayala, 1 pp.
8. SB 412, proposed -1 amendments, 4/1/05, Ayala, 11 pp.