

**HOUSE REVENUE COMMITTEE  
MARCH 31, 2003 8:30 AM STATE CAPITOL BUILDING**

Members Present: Representative Lane Shetterly, Chair  
Representative Wayne Scott, Vice Chair  
Representative Joanne Verger, Vice Chair  
Representative Vicki Berger  
Representative Mark Hass  
Representative Max Williams

Members Excused: Representative Phil Barnhart  
Representative Pat Farr  
Representative Elaine Hopson

Witness Present: Jack Kenny, Oregon Housing and Community Services Department  
John Blatt, Association of Community Development Organizations  
Housing Lobby Coalition  
Sheila Greenlaw-Fink, Community Partners for Affordable Housing,  
Rita Grady, Polk Community Development Corporation  
Bill Van Vliet, Network for Oregon Affordable Housing  
Bob Repine, Director of Housing and Community Services

Staff Present: Paul Warner, Legislative Revenue Officer  
Lizbeth Martin-Mahar, Legislative Revenue Office  
Kathy Tooley, Committee Assistant

**TAPE 101, SIDE A**

004 Chair Shetterly Calls meeting to order as a subcommittee at 8:35 a.m. until such time as a quorum was reached.

**PUBLIC HEARING HB 2168, HB 2171**

006 Lizbeth Martin-Mahar Provided description of HB 2168, (Exhibit 1) with revenue impact (Exhibit 2); and HB 2171, (Exhibit 3, 4) with fiscal (Exhibit 5) and revenue impacts, (Exhibit 6).

030 Chair Shetterly Revenue impact HB 2168 is that because of increase the cap?

032 Martin-Mahar Answered affirmatively. Increase in the cap for both bills is from \$6 million to \$8.2 million annually for the Department of Human Development to issue in credit. HB 2171 adds pre-development charges for corporate income tax credit and places a limit on pre-development annual credit.

066 Jack Kenny Testified in favor of HB 2168 and HB 2171. Described tax credit as passed through in 1:1 rent savings to tenants; described need for increase in the cap; clientele.

121 Kenny Described application and competitive requirements to receive credits.

138 Kenny Described difference between the two bills. Discussed pre-development loan in HB 2171, does not pass through rents during building phase and has shorter loan duration.

155	Kenny	Discussed qualified loan assignees in HB 2168.
166	Kenny	Discussed importance to at risk populations.
170	Kenny	Without credit there will be a reduction in affordable housing, would improve surrounding property values.
180	Kenny	Discussed questions and concerns previously received from Committee regarding benefit to banks from this credit.
190		Discussed Oregon Revenue Coalition who identified affordable public housing as an identified public purpose and believes this bill would be consistent with that organization's goals.
199	Kenny	Discussed venture capital, did not have information on multiplier affect?
220	Rep. Verger	In HB 2171 the reduced interest rate is not required to be passed on is that any different than former development that you have had?
215	Kenny	Answered affirmatively, the interest rate savings do not have to be passed on, only for \$200,000 pre-development portion. For the \$8 million cap, the savings would have to pass through. It is a new component to the bill.
240	Rep. Verger	Has difficulty with a bill that does not address the need for new housing; communities with high vacancy rates have to pay regardless and can not reduce rents.
270	Kenny	Described competitive process as including community support element; populations affected are developmentally disabled, seniors, populations where housing is not affordable without a subsidy.
290	Kenny	Discussed public notification process.
301	Kenny	Discussed tenant readiness training program, matching people that come out of the program with private housing.
311	Kenny	Discussed unmet need.
317	Rep. Verger	Do you create jobs for Oregonians or some other state?
324	Kenny	Would leave to someone else. Have anecdotal information, can get information for the Committee.
330	John Blatt	Spoke in favor of HB 2171, (Exhibit 9), supportive of affordable housing development. His organizations have used credit 130 times in last 12 years.
353	Sheila Greenlaw-Fink	Spoke in favor of HB 2171, (Exhibit 10), described "The Village at Washington Square" project as work force housing for those in low paying retail sales sector; not trying to duplicate private sector. Described developmental programs for residents to help them contribute to economy.

**TAPE 100, SIDE A**

030	Rita Grady	Testified in favor of HB 2171. Discussed rental and home ownership properties that have been able to use tax credit financing. Some families were able to save money and move on to home ownership.
070	Grady	Discussed family assistance fund, have helped families purchase homes.

		Discussed unmet needs for 280 families in Dallas area.
098	Chair Shetterly	Who do you contract with typically on the job creation side?
101	Grady	Through competitive bid process, local builders, electricians, plumbers, strengthens local economy.
105	Greenlaw-Fink	Ask contractors to hire Tigard-based subs. Can't think of any contractor, banker, that wasn't from Oregon. Discussed community based nature.
91	Rep. Verger	Do you have high or low vacancy rate in private sector?
115	Grady	Not sure, wouldn't say that it was high. Vacancy rate for affordable housing units is low. Surrounding investors and homeowners often upgrade their homes.
119	Rep. Verger	Discussed North Bend situation where housing authority will have a long waiting list, but the private sector has a high vacancy rate.
130	Blatt	Discussed federal program where extensive market surveys are done to demonstrate market need for that kind of housing. Discussed competitor rents and absorption rate indicator. Doesn't help a market that is overbuilt.
161	Rep. Verger	Don't think it is because they don't qualify, cited senior and needy population. Problem is cookie cutter approach in Oregon, there needs to be triggers for affordable housing, including government subsidies. Not enthusiastic for creating jobs for other than Oregonians. If there is existing housing that should be used rather than development of new housing.
187	Rep. Scott	How will tax credit for pre-development enhance future projects?
200	Blatt	Discussed major source in Oregon is the Housing Trust Fund. Money available for development hasn't changed since 1991, but prices have gone up, looking at a way to leverage state funds.
210	Rep. Scott	How do we determine that that is a reduction in rents to qualify?
214	Blatt	Proposal is not to require showing pass through dollar since it is difficult to track; limitation to \$200,000.
225	Greenlaw-Fink	Discussed private pre-development money and when it can be available.
258	Rep. Scott	Who ends up owning?
260	Greenlaw-Fink	.01% general managing partner such as Community Partners; most money comes in from private investors such as Key Bank and other investors.
267	Rep. Scott	Does the local owner receive the pre-development incentives also?
270	Greenlaw-Fink	Discussed expense of acquiring land or project does not happen.
277	Rep. Scott	SDC's are they included in pre-development?
281	Greenlaw-Fink	In some areas, one of the highest costs is new construction.
292	Chair Shetterly	For the record, received written testimony from the Oregon Revenue Coalition, (Exhibit 11).
390	Bill Van Vliet	Testified in favor of HB 2171, (Exhibit 12). Described efficiency of program.

The program solely benefits the tenants, with no profit to the banks. Described how pre-development lending encourages private investment. Availability of funding will determine whether the project can continue. Discussed affordability of housing.

#### **TAPE 101, SIDE B**

006	Van Vliet	Discussed shortage of pre-development financing.
021	Van Vliet	Discussed local economic development and job creation element.
0	Van Vliet	Discussed competition with private sector property, cited rent burden, can't afford private sector projects.
077	Van Vliet	Look for "capture rate", in determining feasibility of project. Look at how many potential income-qualified renters are in a community. As a rule of thumb look for a 10% capture as a buffer for demand on a project.
094	Bob Repine	Discussed "Site Based Voucher", and "Sticky Voucher" system; which travels with the renter. Trying to set up partnership with private sector "Ready to Rent" Portland, "2 <sup>nd</sup> Chance" Eugene, "Fresh Start" Salem, for people that could not find housing on the open market due to barriers.
124	Bob Repine	Discussed monies set aside for people that go through training program on how to be a good renter. Program underwrites up to \$1000 damages or unpaid bills by resident that graduated from program with private sector for up to a 6 month probation period.
191	Bob Repine	Discussed apartment renovation, rehabilitation program as spur for community investment and improvements.
213	Rep. Verger	Do you have residency requirements and working history, what's the highest income to qualify?
235	Bob Repine	Income eligibility depends on unit, can be 50% median income and below, 60-80% of national poverty level.
240	Bob Repine	Discussion of income levels set county by county. Chart available to answer that question.
245	Rep. Verger	Is there a residency requirement?
249	Bob Repine	Varies from program to program.
253	Chair Shetterly	Are these federal requirements?
254	Bob Repine	I suspect it is.
255	Rep. Verger	And working history?
255	Bob Repine	In the application process that shows income or offset. Generally these are working Oregonians, need extra reduction in rent to fit budget.
282	Chair Shetterly	Closed Public Hearing on HB 2168, HB 2171.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant Reviewed by Kim Taylor James

Exhibit Summary:

1. Martin-Mahar, "Staff Measure Summary HB 2168", 1 page
2. Martin-Mahar, "Revenue Impact HB 2168", 1 page
3. Martin-Mahar, "Staff Measure Summary HB 2171, 1 page
4. House Committee on Health and Human Services, "Staff Measure Summary HB 2171", 1 page
5. Martin-Mahar, "Fiscal Analysis HB 2171, 1 page
6. Martin-Mahar, "Revenue Impact of HB 2171", 1 page
7. Kenny, "Testimony HB 2168", 2 pages
8. Kenny, "Testimony HB 2171", 2 pages
9. Blatt, "Testimony HB 2171", 2 pages
10. Greenlaw-Fink, "Testimony HB 2171", 2 pages
11. Oregon Revenue Coalition, "Testimony HB 2168 and HB 2171", 3 pages
12. Van Vliet, "Testimony on HB 2171", 5 pages