

## HOUSE COMMITTEE ON AGENCY PERFORMANCE & OPERATIONS

February 4, 1999 Hearing Room E

8:00 a.m. Tapes 11 - 12

**MEMBERS PRESENT:** Rep. Jane Lokan, Chair

Rep. Kathy Lowe, Vice-Chair

Rep. Betsy Close

Rep. Dan Gardner

Rep. Tim Knopp

Rep. Jeff Kruse

Rep. Kitty Piercy

**MEMBER EXCUSED:** Rep. Bob Montgomery

**STAFF PRESENT:** Pat Zwick, Administrator

Susan M. Pettey, Administrative Support

**MEASURE/ISSUES HEARD:** HB 2390 Work Session

**HB 2084 Public Hearing**

**HB 2085 Public Hearing and Work Session**

**HB 2089 Informational Meeting**

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
TAPE 11, A		

004	Chair Lokan	Opens meeting at 8:10 a.m., and opens work session on HB 2390.
<b><u>HB 2390 WORK SESSION</u></b>		
041	Pat Zwick	Committee Administrator. Summarizes provisions of HB2390-1.
053	Rep. Lane Shetterly	State Representative, District 34. Discusses HB 2390-1 amendment. Expresses approval of draft version.
063	Rep. Kruse	Expresses concern regarding long-term effect of adoption of rules. Inquires if a report should be made to the legislature.
072	Rep. Shetterly	Explains that there is a joint interim land use committee that has not been appointed, but mechanism is in place and needs to be activated.
081	Rep. Kruse	Comments that the legislature is not particularly looking at intent.
098	Bob Rindy	Department of Land Conservation and Development (DLCD). Explains it is agency practice to send notice and draft rules to the committee chair which directed the department to adopt the rules.
102	Rep. Kruse	Comments that the legislature receives notification if requested, but says that there is a difference between a legislator going to a rule hearing and a legislative body overseeing the rules.
114	Rindy	Expresses support of ñ1 amendment.
118	Rep. Kruse	<b>MOTION: Moves to ADOPT -1 amendment dated 1/25/99.</b>
		<b>VOTE: 7-0</b> <b>EXCUSED: 1 ñ Rep. Montgomery</b>
127	Chair Lokan	<b>Hearing no objection, declares the motion CARRIED.</b>
135	Rep. Kruse	<b>MOTION: Moves HB 2390-1 to the floor with a DO PASS AS AMENDED recommendation.</b>
		<b>VOTE: 7-0</b> <b>AYE: In a roll call vote, all members present vote Aye.</b>

		<b>EXCUSED: 1 - Montgomery</b>
148	Chair Lokan	<p><b>The motion CARRIES.</b></p> <p><b>SHETTERLY will lead discussion on the floor.</b></p>
142	Lokan	Closes Work session on HB 2390-1, and opens informational meeting on HB 2089.
<b><u>HB 2089 INFORMATIONAL MEETING</u></b>		
163	Pat Zwick	Committee Administrator. Summarizes provisions of HB 2089.
194	Bob Repine	<p>Director, Oregon Housing &amp; Community Services (OHCS). Supports HB 2089. Comments that the agency is seeking to raise this revenue bond limit to \$2 billion. Discusses statutory history of bond authorization:</p> <ul style="list-style-type: none"> <li>• Includes single family, multi-family and risk-sharing (?) Explains revenue and bond sales (?), and Section 8 acquisitions and availability of property. Explains future bonding needs. Explains checks, balances and oversights</li> </ul>
230	Rep. Lokan	Asks for clarification regarding housing size.
233	Repine	Responds it covers single-family, multi-family, and risk-sharing. Explains revenue and bond sales. Discusses Section 8 acquisitions. Comments on the availability of 5,000 properties that will be acquired and sold that finalized maturity on their mortgages with federal requirements for housing.
265	Repine	<p>Notes that in 1998, OHCS completed \$100,000,000 in single-family mortgages, and expects an increase to \$120,000,000 in 1999. States that OHCS is subject to checks and balances:</p> <ul style="list-style-type: none"> <li>• through the Treasurer's office</li> <li>• limitation of debts</li> <li>• federal government limitation on the amount of tax-exempt debt a state can issue for programs.</li> </ul>
297	Rep. Kruse	Inquires about current revenue impact of fund.
308	Repine	Explains that agency is currently at \$800 million of the total amount. Talks about differences between general obligation bonds and revenue bonds. Comments that if the limit is not changed, it will restrict OHCS activities.
337	Rep. Kruse	Asks if some bonds are retired.

343	Repine	Explains that OHCS was established in 1971, and the 30-year mortgages are currently maturing.
363	Chair Lokan	Comments on affordable housing tour taken by members on February 2 <sup>nd</sup> , and asks how much involvement OHCS had in those developments.
368	Repine	Responds that the Housing Trust Fund (HTF), founded in 1991, is a different issue than the one discussed here. Refers a question relative to revenue bonds to Lynn Schoessler.
383	Lynn Schoessler	Deputy Director, Oregon Housing & Community Services. Addresses revenue bond authority to purchase affordable housing properties. Adds that the HTF will be a partner, providing seed money, and tax credits will be granted. Explains that a reduced interest rate plus tax credit proceeds provide a double benefit from revenue bonds when the agency finances multi-family housing.
<b>TAPE 12, A</b>		
025	Rollie Wisbrock	Chief of Staff, Oregon State Treasury. Supports HB 2089. Submits document <b>(EXHIBIT A)</b> . Explains legislative history and capacity to service \$2 billion debt.
080	Chuck Smith	Director, Debt Management Division, Oregon State Treasury. Explains the debt management process and the legislative role. Comments that the State Debt Policy Report <b>(EXHIBIT A)</b> deals with self-supporting bonds such as housing bonds. Explains that SB 5502 enacted in 1981 lays out a maximum amount of debt for programs, and sets a reduced limitation for every bond program in the state. Discusses cash review by Treasurer's office when bonds are in the market. Provides information about bond rating agencies. Refers to the Report <b>(EXHIBIT A, pg. 12)</b> and discusses self-supporting and tax-supported bonds. Indicates Oregon's bond rating as AA. Comments that sound, prudent management is really the key to ensuring these bonds remain self-supporting in the future.
174	Chair Lokan	Asks about loan default experience.
178	Smith	Responds that these are revenue bonds secured by the program. Explains bond rating company involvement relative to defaults.
185	Rep. Close	Asks why the state of Oregon doesn't have a AAA rating.
188	Smith	Responds that the bond rating should be upgraded. Explains that the bond-rating company claims Oregon needs additional further economic diversification. Describes the bond-rating company's concern over Oregon's initiative process, explaining that they claim it introduces an element of uncertainty to management of state government.

213	Smith	Explains efforts to improve bond rating, such as through the budget stabilization fund. Comments that a higher rating is a monetary benefit to the state.
246	Chair Lokan	Closes informational meeting, and opens public hearing on HB 2084.
<b><u>HB 2084 PUBLIC HEARING</u></b>		
262	Zwick	Summarizes provisions of HB 2084-1.
288	Schoessler	Explains the Housing Trust Fund loans and grants programs. Comments on community investment practices.
349	Rep. Lowe	Asks about one percent interest rate.
356	Schoessler	Responds that the one percent interest rate is a necessary value to the property, as concessionary as possible without being zero percent.
371	Rep. Lowe	Asks if the fund qualifies at one percent for federal purposes.
376	Schoessler	Responds affirmatively, explaining that because it is state money, it qualifies. Discusses differences in federal and state fund interest rates.
384	Chair Lokan	Asks about similar programs in other states.
389	Schoessler	Responds that most other trust funds have a similar election of interest rates. Explains that grants, tax credits, and loans come with restrictions of property use. Comments that the for-profit industry claims a disadvantage, and explains the agency response.
427	Rep. Pierce	Asks how Oregon compares with other states in addressing affordable housing.
433	Schoessler	Agrees to provide further information. Comments that Washington state has spent \$24 million per year for the past 10 years, and most recently, \$50 million annually.
<b><u>TAPE 11, B</u></b>		
056	Tim Martinez	Oregon Banker's Association. Takes neutral position on HB 2084. Indicates Association's strong support of housing agency. Discusses interest rate issue, grants and loans.
088	Martinez	Expresses need for four-year sunset in the bill. Comments that for-profit developers complain about tax liability (gap) Commends committee for work on

		housing issues.
116	Chair Lokan	Closes hearing on HB 2084, opens Public Hearing on HB 2085.
<b><u>HB 2085 PUBLIC HEARING</u></b>		
135	Zwick	Explains provisions of HB 2085.
155	Chair Lokan	Discusses ORS 309.905 and
176	Lynn Schoessler	Housing & Community Services. Supports HB 2085. Introduces Jon Gail. Explains he will meet with next week. Explains bill allows non-profit to act in behalf of tenant association. Explains \$5.00 fee that created the fund was a one-time fee in 1989, and never assessed again.
204	Jon Gail	Housing & Community Services. Talks about partners involved in purchase of manufactured home parks. Explains unique relationship of tenants/owners in parks. Talks about pre-development funds for engineering studies, appraisals, applying for loans and grants, legal costs, negotiation with seller, closing purchase. Explains HB 2085 allows nonprofit to partner with tenant association.
253	Gail	Comments tenant associations are not housing developers. Discusses OHAS programs.
279	Chair Lokan	Asks about experience in other states
284	Gail	Talks about community service group in San Diego, which facilitated over 30 purchases.
321	Rep. Kruse	asks question
	Gail	Explains
335	Rep. Kruse	Inquires about liability issues regarding non profits and tenant associations.
345	Schoessler	Responds
<b>TAPE 12, B</b>		
013	Schoessler	Explains third-party non-profit involvement.
017	Rep. Kruse	Inquires about tax exemption, and impact tracking

026	Schoessler	Responds it is the decision of local government and school district to provide the exemption.
039	Rep. Lowe	Comments about tax exemptions for churches, et cetera.
051	Chair Lokan	Asks about sale to nonprofit organization with state-approved expertise and funding
	Schoessler	Explains predevelopment loans are paid back to the state so the next nonprofit has access. Comments it is a short-term loan.
067	Chair Lokan	Closes hearing on HB 2085. Adjourns meeting at 9:35 a.m.

Submitted By, Reviewed By,

SUSAN M. PETTEY, PAT ZWICK,  
Administrative Support Administrator

#### **EXHIBIT SUMMARY**

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