

## HOUSE COMMITTEE ON GENERAL GOVERNMENT

**April 16, 1997 Hearing Room D**

**1:00 P.M. Tapes 76 - 78**

**MEMBERS PRESENT:**

**Rep. Ken Strobeck, Chair**

**Rep. Dan Gardner, Vice-Chair**

**Rep. Jim Hill**

**Rep. Bob Montgomery**

**Rep. Kurt Schrader**

**Rep. Liz VanLeeuwen**

**Rep. Tom Whelan**

**STAFF PRESENT:**

**Jeri Chenelle, Administrator**

**Annetta Mullins, Administrative Support**

**MEASURE/ISSUES HEARD:**

**HB 2074 - Work Session**

**HB 2011 - Public Hearing**

**HB 3370 - Public Hearing**

**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.**

<b>Tape/#</b>	<b>Speaker</b>	<b>Comments</b>
<b>Tape 76, A</b>		
003	Chair Strobeck	Calls meeting to order at 1:07 p.m. and opens work session on HB 2074.
<b><u>HB 2074 - WORK SESSION</u></b>		
		Reviews provisions of the bill and the -A3

005	Jeri Chenelle	amendments ( <b>EXHIBIT A</b> ).
011	Chair Strobeck	Explains the amendments will make it clear more video poker machines will not be licensed and deletes the emergency clause.
024	Pamela Erickson	Administrator, Oregon Liquor Control Commission, submits statement and states she wants to put in context why the commission favors the bill ( <b>EXHIBIT B</b> ).
047	Erickson	Continues presentation.
065	Rep. Montgomery	<b>MOTION: Moves to ADOPT HB 2074-A3 amendments dated 03/31/97.</b>
067		<b>VOTE: 5-0</b> <b>EXCUSED: 2 - Hill, VanLeeuwen</b>
	Chair Strobeck	<b>Hearing no objection, declares the motion CARRIED.</b>
068	Rep. Gardner	<b>MOTION: Moves HB 2074A to the floor with a DO PASS AS AMENDED recommendation.</b>
070		<b>VOTE: 5-0</b> <b>AYE: In a roll call vote, all members present vote Aye.</b> <b>EXCUSED: 2 - Hill, VanLeeuwen</b>
	Chair Strobeck	<b>The motion CARRIES.</b> <b>REP. GARDNER will lead discussion on the floor.</b>
077	Chair Strobeck	Closes work session on HB 2074A and opens the public hearing on HB 2011.
<b><u>HB 2011 - PUBLIC HEARING</u></b>		
090	Rollie Wisbrock	Chief of Staff, Oregon Treasury, testifies in support of HB 2011 ( <b>EXHIBIT C</b> ).
120	Wisbrock	Continues presentation.
		Issues discussed:
		* definition of affordable housing
142		* authority
		* definition of endowment
206		* whether additional statutory changes are needed

215		* assurances for success of endowment investments
240		* opportunity for investment or leaving money in Education Endowment Fund
282	Chair Strobeck	Comments the bill allows members of the new board to receive reimbursement of expenses, but not be compensated, and requires the publication of an annual report, and asks where the bill says the activities would be funded.
288	Wisbrock	Responds that as with other direct expenses, it would come from the .00025 percent of the investment for management; it would come out of the management fees and would not exceed that amount.
308	Baruti Artharee	Director, Oregon Housing and Community Services Department, testifies in support of HB 2011:
		* provides opportunity to invest in affordable housing
		* increasing demand for affordable housing in state for approximately 10,000 units per year
		* affordable housing is defined by cost of housing and one's income
335		* 30 percent of a household income for housing is considered affordable housing; Oregon's median income is approximately \$40,000
		* the \$12,000 per year includes all costs of housing, utilities (except telephone), and repairs
		* 1991 Benchmark was a goal of having no more than 68 percent of Oregonians paying more than 30 percent of income for housing
		* currently, only 45 percent have met the goal; Oregon has over 135,000 households with incomes of less than \$20,000 per year and are living in houses not affordable to them
		* over last 10 years the cost of housing in Oregon has outstripped income; in some parts of state it has increased four times faster than income
365		* agency programs cover homelessness to home ownership
		* is impossible for private sector to get costs down to an affordable level for families with a 60 percent of median income without some type

		of assistance
387		* with construction of 1,000 single family homes, over 2,400 full time jobs are generated per year, \$75 million in wages, and approximately \$37 million in combined federal, state and local revenues in taxes
394		* 1,000 units of multi-family housing will provide over 1,000 jobs per year and \$32 million in wages and over \$15 million in taxes
		* Oregon Growth Account can assist affordable housing by becoming the secondary market for loans that have already been made to affordable housing complexes that have matured, and they could also consider purchasing taxable bonds issued by the Housing Department, and they could become a construction lender for affordable housing complexes.
409		* believes opportunities will meet the prudent investment test
413	Peter Grundfossen	Association of Oregon Housing Authorities, submits testimony in support of HB 2011 <b>(EXHIBIT D)</b> and suggests amendments be made to define "affordable housing" as those who earn less than 60 percent of median income or less.
<b>TAPE 77, A</b>		
016	Chair Strobeck	Comments the committee will look at the definition of affordable housing.
019	Artharee	Comments he would support the idea of adding the definition to affordable housing, but would need some time to review whether or not 60 percent would really get at the population statewide that the agency would need to serve because there is an increasing need in the 60 to 80 percent category, which is the working poor.
025	Chair Strobeck	Asks that Mr. Artharee work with the State Treasurer to attempt to reach an agreement on the definition.
028	Gundfossen	Comments he is willing to speak with Mr. Artharee and the Treasurer's staff about the amendment and report back to the committee.
029	Jim Craven	American Electronics Association (AEA), testifies in support of HB 2011 <b>(EXHIBIT E)</b> .
060	Craven	Continues presentation.

		Issues discussed:
085		* how HB 2011 will benefit the electronics industry
		* leveraging
123		* level of investments
117		* AEA supports treasurer's concept, and have had conversations with the Treasurer's office that the money would be weighted more heavily in the emerging growth company area; housing is the newer idea and deserve a place at the table and hopefully will be able to do more in the years ahead in housing
137	Chair Strobeck	Comments the amendment would be a definition of affordable housing; those interested will decided if it is needed and if so, where it should go.
151	Chair Strobeck	Closes the public hearing on HB 2011 and opens the public hearing on HB 3370.
<b><u>HB 3370 - PUBLIC HEARING</u></b>		
150	Jeri Chenelle	Reviews provisions of HB 3370.
166	Fred VanNatta	Oregon Building Industry Association and Oregon Association of Realtors, submits testimony on HB 3370 ( <b>EXHIBIT F</b> ), explains the testimony is based on the original bill but was told they should focus on education because the intent was to modify the text of the bill so it would apply principally to education.
194	Chair Strobeck	Notes the committee does have the HB 3370-1 amendments ( <b>EXHIBIT G</b> ).
198	VanNatta	Comments the amendments limit the bill to education; the discussion about education is different than the discussion about the remainder of the bill, and does not want to lose the opportunity to have a thoughtful discussion about a special tax for schools on new homes.
213	Rep. Cynthia Wooten	Testifies in support of HB 3370:.
		* bill was request by constituent organizations in Eugene and other parts of the state
		* bill adds facilities and assets to definition of capital improvements
		* time has come to recapture some of the costs of

		expansive and explosive growth
		* there is expanded prosperity
		* school districts, cities and other special districts cannot keep pace with the actual cost of infrastructure development to support the expanded growth
248		* other hidden costs for police and fire protection and emergency services are the creation of the new outlying areas to deal with the public safety
		* this would only be partial treatment for recuperation of costs; it is not a means to try to shift costs of infrastructure development and/or program and services onto the private developer as a hidden tax paid by residential buyers of new homes
268		* League of Oregon Cities supports HB 3370
		* it is important to take an initial step regarding system development charges and will cede to the committee's wishes with regard to limiting the breadth of the bill to some of the public purposes identified in the expanded definitions, namely education
		Issues discussed:
278		* whether there are other bills relating to system development charges
311	Chair Strobeck	Requests that Mr. VanNatta address his comments to the concept of the expanded system development charges, but focus primarily on the education component.
315	VanNatta	Comments that because Mr. Chandler will testify and is the author of another systems development charge bill, will defer the question of calculating a system development charge for administration or for generations of electrical energy and other issues to Mr. Chandler's testimony, and will talk about the school issue.:
		* amendments are unworkable, but will talk about the concept
		* when the committee realizes giving county commissioners and city councils the right to do capital planning for schools and impose a tax on renters and new home buyers to pay for schools, hopefully the committee will scrap the whole concept

349		* one cannot charge a user fee on buildings for schools; one can charge a tax
383		* when a building is connected to a sewer system, the system is used; it doesn't mean the user of the building will use the school
395		* this is not a tax on developers; it is on renters and new home buyers
		* it is not an impact fee because you cannot get there by placing a tax on buildings
408		* half of new home buyers already live in the community
		* seventy-seven percent moved from another residence in Oregon; one half already lived in the community and that is why it is not an impact
		* it is easy tax to levy because it appears to be on somebody else
		* surprised to see the enthusiasm for another tax burden on homeowners
446	Rep. Schrader	Comments the bill talks about fees; it is a user fee, and that if there are enough people paying their fair share of the user fees, it would be less taxes that Oregonians have to pay.
<b>TAPE 76, B</b>		
041	VanNatta	Continues presentation:
		* housing market is tied in a package; increasing cost of new homes increases cost of homes in the community. Increased rents increase remainder of rents in the community
051		Shows charts on national housing costs <b>(EXHIBIT F, page 6).</b>
076	VanNatta	Continues presentation.
106	VanNatta	Continues presentation on costs of housing.
		Issues discussed:
133		* whether the additions listed in HB 3370 should be debated at the local level
		* history of user fees
174		Discussion continues on history of user fees.
193		* impact of Measure 47 and Measure 5 on capitol construction for schools
242		* whether it would be acceptable for local government to place construction of schools under improvements as a condition of

		development approval	
264	Rep. Floyd Prozanski	Testifies in support of HB 3370:	
		* received a FAX from Stacey Krivchuk (EXHIBIT H)	
		* this would be a one-time fee, regardless of what it is called, for new service units	
		* current system is a "socialized system" which historically has been passed on and received as a cost of doing business within a community	
		* cites Eugene Register Guard editorial of November 1996 written by Evan Fodder, a planning consultant and board member of Friends of Eugene	
		* suggests if the committee is not comfortable with the new additions, they should look seriously at the area of education, libraries, and public safety including facilities for police, fire protection and emergency services	
366	Rep. Montgomery	Asks where the -1 amendments came from.	
	Chair Strobeck	Responds he asked that the amendments be drafted.	
		Issues discussed:	
380		* whether cities could impose a condition upon approval of a development that a school be constructed under HB 3370	
403	Pat Zimmerman	Citizens Land Use Advisory Committee for Columbia County, testifies in support of HB 3370:	
		* Columbia Co. is experiencing rapid growth	
		* there is no county system development fee	
		* current county commissioners have not taken a position on system development fees	
		* would be a good idea to have a system development fee particularly if education could be part of it	* current county commissioners have not taken a position on system development fees
		* believes citizens would pass and keep a system development charge if education were a piece of it	
TAPE 77, B			



027	Gary Conkling	Beaverton School District, testifies in support of HB 3370 <b>(EXHIBIT I)</b> .
		Issues discussed:
086		* impact statements
109	Mary Kyle McCurdy	1,000 Friends of Oregon testifies in support of HB 3370 <b>(EXHIBIT J)</b> .
		Issues discussed:
132		* proportionate share
		* definition of "education"
161	Rep. Schrader	Offers to work with Rep. Hill and others on definition relating to schools.
155	Bill Artherton	Lake Oswego citizens and member of Lake Oswego City Council, testifies in support of HB 3370:
		* simple principle involved; urban settlement is very expensive and complex and involves all capitol assets listed and could total between \$25,000 and \$30,000 per housing unit
183		* capitol assets are part of value of a house
		* when government is denied the opportunity to collect the full cost and reimbursement fee for the asset, it is a tax
		* three components to asset: land, bricks and mortar, and community assets
		* cities build livable cities and the people need to have local control
		* with the inability to collect the full price of system development charges we are propping up the speculative value of bare land
242		* agrees with Mr. VanNatta that building a house does not increase the demand for education
		* just because a person lives in a house today and does not have children, it doesn't mean someone after them will raise the demand
256		* previous generations had a choice to subsidize growth; we need to preserve the choice
268	Don Miner	Oregon Manufactured Housing, testifies in opposition to HB 3370.
		* homebuilders have a done a study of housing costs and identified Oregon as one of the more expensive market
		* legislation will increase the cost of housing

		* is common for manufactured home communities to be developed and exclude anyone under 55; they should be exempt from user fee
		* childless couples and parents who send their children to private school parents should not pay
		* fee will be paid by home buyers every month they finance the cost
294		* legislation will make it more difficult to qualify for mortgages
		* system developments charges are regressive
324		* this will increase costs of homes the Housing Department is interested in far more than the subsidies they might get from the state
341	John Brenneman	Manufactured Housing Communities of Oregon, testifies in opposition to HB 3370:
		* opposed to expansion of system development charges
		* many parks are communities for person 55 and older and are already in the community and experiencing a lifestyle change
359		* some developers building new parks report fees, development costs and general costs of government when added together are averaging about \$5,000 on each space
		* will be available for question but asks that the committee set the bill aside
354	Rep. Schrader	Asks if they would support amendments to deal with the affordability and making the fees relative to the size of the unit.
379	Miner	Responds they will not support the bill because it is going in the wrong direction and do not oppose those in effect, but questions the parks service development charge.
		Issues discussed:
		* nexus between schools and new developments
		* populations which do not use certain facilities and roads
424		* tax base
		* increased demand for services by additional people
452		* how to fund services

<b>TAPE 78, A</b>		
027	Jon Chandler	Oregon Building Industry Association, submits statement ( <b>EXHIBIT K</b> ), and study by National Association of Homebuilders ( <b>EXHIBIT L</b> ) and testifies in opposition to HB 3370:
		* reviews Florida case
		* believes Ballot Measure 47 changed the situation with regard to new development on the tax base
		* have previously introduced legislation, and had it drafted again this session, to add new development to the tax base as a constitutional referral
047		* prior to November 1996 every new house that was built lowered everyone else's taxes
		* schools are unaffected by the change in Measure 47
		* explains local tax effect on state support for school funding
065		* summarizes prepared statement ( <b>EXHIBIT K</b> )
080	Chandler	Continues presentation.
127	Chandler	Refers committee to study ( <b>EXHIBIT L</b> ).
131	Chair Strobeck	Adjourns meeting at 3:07 p.m.

Submitted By, Reviewed By,

Annetta Mullins, Jeri Chenelle,

Administrative Support Administrator

### **EXHIBIT SUMMARY**

**A - HB 2074, HB 2074-A3 amendments, staff, 1 p**

**B - HB 2074, prepared statement, Pamela Erickson, 8 pp**

**C -HB 2011, prepared statement, Rollie Wisbrock, 2 pp**

**D - HB 2011, prepared statement Peter Grundfossen, 1 p**

**E - HB 2011, prepared statement, Jim Craven, 1 p**

**F - HB 3370, prepared statement, Fred VanNatta, 10 pp**

**G - HB 3370, HB 3370-1 amendment, Rep. Strobeck, 1 p**

**H - HB 3370, prepared statement, Rep. Prozanski, 1 p**

**I - HB 3370, prepared statement, Gary Conkling, 2 pp**

**J - HB 3370, prepared statement, Mary Kyle McCurdy, 1 p**

**K - HB 3370, prepared statement, Jon Chandler, 6 pp**

**L - HB 3370, National Association of Home Builders study, Jon Chandler, 9 pp**