

PUBLIC HEARING & WORK SESSION

HB 3210, HB 3543, HB 3104, HB 2745,

HCR 20

TAPES 154, 155 A/B

HOUSE REVENUE COMMITTEE

MAY 1, 1997 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

MEMBERS PRESENT: Rep. Tom Brian, Chair

Rep. Lee Beyer, Vice-Chair

Rep. Tony Corcoran

Rep. Randall Edwards

Rep. Anitra Rasmussen (Arrived 8:53 a.m.) Rep. Lane Shetterly

Rep. Mark Simmons (Arrived 8:57 a.m.)

Rep. Ken Strobeck (Arrived 8:53 a.m.)

MEMBERS EXCUSED: Rep. Leslie Lewis

WITNESSES PRESENT: Rep. Bob Repine

John Van Landingham, Affordable Housing Coalition

Sheila Greenlaw-Fink, Community Partners for Affordable Housing

Tamara Walker, Community Partners for Affordable Housing

Ric Weaver, Polk County Housing Authority

Margaret Van Vliet, NOAH

Peter Grundfossen, Association of Oregon Housing Authorities

Frank Brawner, Oregon Bankers Association

Dave McFall, League of Oregon Cities

Rep. Carolyn Oakley

Genoa Ingram-Read, Oregon Association of Realtors

Don Miner, Oregon Manufactured Housing Assn.

John Brenneman, Manufactured Housing Communities of Oregon

Jon Chandler Oregon Building Industry Assn.

STAFF PRESENT: Brian Reeder, Economist

Ed Waters, Economist

Dick Yates, Economist

James Scherzinger, Legislative Revenue Officer

Barbara Guardino, Committee Assistant

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TAPE 154 SIDE A

007 Chair Brian Called meeting to order at 8:45 a.m.

PUBLIC HEARING - HB 3104, HCR 20, HB 3210, HB 3543, HB 2745

Finding continual funding for Oregon Housing Trust Fund has become more and more difficult. During 1995 legislative session through interim, Housing Coalition

worked to find how to maintain it in perpetuity. Over the past 10 years, federal government has gotten out of subsidized housing industry. States have found themselves trying to deal with issues of affordable housing. That is why Oregon Housing Trust Fund was started.

016 Rep. Repine Affordable Housing Coalition has developed a plan that will put in place, long-term commitments so Oregon residents will be able to meet their housing demands. This will involve taxes through the Real Estate Transfer Tax (RETT) Program.

Affordable Housing Coalition developed HB 3104.

Anticipates increase in homelessness, this is a step in the right direction to control cost of housing.

071 Chair Brian Asked if Repine would address HCR 20, the resolution that urges U.S. Congress to increase the cap on private activity bonds.

086 Rep. Repine Had no comment at this time.

087 Rep. Edwards Noted, HCR 20 resolution gets federal government to allow states more private activity bond capacity. Gives states more latitude to issue these types of bonds.

110 John Van Landingham Explained what HB 3104 does: Van Landingham is author of concept HB 3104 over a two-year period. Real estate transfer taxes are common way to produce revenue for governments. Typically, housing industry opposes them because of raise in cost of housing. Believes this tax will benefit housing industry, including infrastructure.

132 Van Landingham Refer to written testimony (EXHIBIT A) "Real Estate Transfer Tax & HB 3104." Shaded box is summary of what bill will do.

193 Van Landingham 37 states have real estate transfer tax. Washington County has had one since 1977. This has not discouraged other real estate development. 14 states use some RETT revenue.

Refer to HB 3104 -1 Amendments (EXHIBIT B), correct LC errors.

(EXHIBIT C) "Community Partners For Affordable Housing Inc., Hearing on the Real Estate Transfer Tax"

220 Sheila Greenlaw-Fink Attempted to define who in Washington County is helped by the real estate transfer tax.

Real estate transfer tax exists in place in most states. Can't think of any tools other than transfer taxes to make progress on this issue. Crisis in Washington County.

Over 1/3 of renters in Washington County paid more than 1/3 of income in rent. Families in service area are doubling up, often under conditions that are unsanitary.

292 Tamara Described what it means to have no access to affordable housing. She is single mother with 3 children in school, earning minimum wage. Since involved with

Walker affordable housing, kids doing better in school, tension has eased, roof over heads. Refer to written testimony (EXHIBIT D) "Polk County Housing Authority". Focused comments on home ownership part of the proposal. In Polk County, unique relationship between Housing Authority and local nonprofit. Trust fund moneys have been integral part of effort. Average of \$8,500 per house, leveraged 10 times over. Families can transition into home ownership. Also, home ownership training programs. So far, program has helped 16 families. Program serves as goal for other families. It is possible they don't have to be in assisted housing or rental forever. Need stable funding source to provide this.

311 Ric Weaver

354 Weaver Good portion of money for this bill goes for infrastructure. Difficult situation with lack of sewer capacity. Sewer building permits funded by lottery.

393 Rep. Corcoran Asked, what is range of payments paid by low income lessee.

398 Weaver Housing Authority selects upwardly mobile families. Family cost is 30 % of income. Families put aside \$125 to \$150 per month in a down payment assistance fund. This helps with closing cost and down payment. This partnership with Housing Authority makes home ownership possible.

TAPE 155 SIDE A

023 Peter Grundfossen Association of Oregon Housing Authorities supports HB 3104.

032 Margaret Van Vliet Refer to written testimony (EXHIBIT E) "Housing Development Finance Examples" NOAH (Network for Oregon Affordable Housing) is a non-profit consortium of banks that help fund affordable housing. Gave overview of how affordable housing is financed in Oregon. Housing Trust Fills funding gaps created by fact that affordable rents are lower than market value.

Referred members to figures : Total cost per unit -- Private Sector; Affordable; etc.

113 Frank Brawner Need is real, statewide. Oregon Bankers Association supports real estate transfer tax. Federal mandate to invest in communities. What NOAH is doing cannot be done without partnerships. That includes local governments, and they are being restricted by M50. Oregon Bankers supports passage of HB 3104. Suggested limiting tax to 1/2 %, to be used for affordable housing.

Opts for uniformity of rates throughout 36 counties.

158 Rep. Shetterly Would he oppose a uniform local option?

161 Brawner Part of this bill provides for a uniform local option. If there must be a local option, it must be uniform.

Questions and discussion concerning _ % tax, local option, partnerships.

202 Van Vliet For a home loan, based on salary, 30 to 35 %percentage of salary would have to be dedicated to a mortgage.

HB 3543

220 Frank Brawner Testified in support of HB 3543: Bill is incorrectly labeled as a lenders tax credit. There is no tax credit for the institution that makes the loan. Increases annual cap from \$3 million to \$4 million (Refer to EXHIBIT F) "Oregon Affordable Housing Tax Credits Certified"

264 Margaret Van Vliet Refer to written testimony "Oregon Affordable Housing Tax Credit, Summary of Typical Project" (EXHIBIT G). Gave example of kinds of projects NOAH is involved in: Fifth Avenue Plaza, a new 33-unit apartment building in North Plains, Oregon.

The lender is the conduit through which this subsidy is passed. This tax credit is a very efficient tool.

HCR 20

296 Frank Brawner Supports passage of HCR 20 on behalf of Oregon Bankers Association.

299 Rep. Simmons Asked how this program will interact with existing HUD programs (some HUD housing in La Grande is sitting empty).

330 Brawner Most or all of this tax credit has been used for new construction. Has to be certified as needed in a certain area. Will get information later.

339 Rep. Rasmussen Asked, how do people qualify to move into this housing? Welfare reform is decreasing help to legal immigrants. Is this program available to them?

349 Margaret Van Vliet Yes. There is a specific income certification process. Welfare reform is one that NOAH is concerned about. Sees this situation increasing demand.

HB 3104 -- CONTINUED

378 Dave McFall Refer to written testimony (EXHIBIT H) paraphrased. Supports SB 3104 on behalf of League of Oregon Cities. Without infrastructure there will be no place to build affordable housing. Dept. of Revenue estimated that .75 % tax would raise \$100 million; estimated needed infrastructure in rural Oregon is \$680 million. Economic Development's infrastructure funds will be cut from \$16.3 million in 1995-97 to less than \$13 million.

TAPE 154 SIDE B

010 McFall Continued testimony. Sees tax as a directed tax that will benefit affordable housing and infrastructure, not as a property tax.

029 Gretchen Testified in support of HB 3104. Refer to written testimony (EXHIBIT I) Recent Oregon Benchmarks report gave state an "F" in affordable housing. Low income

Kafoury renters, 2/3 pay more than 30 % of income. Housing affects:

- 1) Education: Children with homes are more likely to stay in school;
- 2) Transportation: (low cost housing in city, jobs in outlying counties)
- 3) Public Safety: (amount of home ownership is directly related to crime rate)
- 4) Economic development: Homeless population detriment to business climate to downtown.

- 070 Kafoury Concerned, if this bill does not pass with the preemption provision, it will prevent Metro area from getting regional tax. Government cannot do it all, but there is a point where there is no other source of revenue other than public funds.
- 099 Vice Chair Beyer Portland could probably get by without funds for infrastructure, but rural areas need it badly. Big hurdle is covering building fees and systems development charges for affordable housing projects. Wonders if there is a match to get money for infrastructure, but that offsets systems development charges.
- 119 McFall In Oregon, 90 % of communities have less than of 15,000 population. Infrastructure is serious concern to small communities. Without infrastructure, homes cannot be built.
- 163 Kafoury Directed members' attention to pink sheet attached to testimony. "What Housing is Affordable to Whom?" Talks about types of occupations that low income families work in.

WORK SESSION - HCR 20

- 163 Chair Brian Opened work session for HCR 20
- 165 Vice Chair Beyer **MOVED HOUSE CONCURRENT RESOLUTION 20 TO THE FLOOR WITH A DO PASS RECOMMENDATION.**
- 8 - 0 - 1**
- 167 VOTE **IN A ROLL CALL VOTE, ALL MEMBERS PRESENT VOTED AYE: REPS. CORCORAN, EDWARDS, RASMUSSEN, SHETTERLY, SIMMONS, STROBECK, VICE CHAIR BEYER, CHAIR BRIAN.**
- MEMBERS EXCUSED: REP. LEWIS.**
- MOTION CARRIED. REP. EDWARDS WILL LEAD DISCUSSION ON THE FLOOR.**

WORK SESSION -- HB 3210

190 Chair
Brian Opened work session for HB 3210

Vice
192 Chair **MOVED HB 3210 TO THE FLOOR WITH A DO PASS RECOMMENDATION.**
Beyer

8 - 0 - 1

195 VOTE **IN A ROLL CALL VOTE, ALL MEMBERS PRESENT VOTED AYE: REPS.
CORCORAN, EDWARDS, RASMUSSEN, SHETTERLY, SIMMONS,
STROBECK, VICE CHAIR BEYER, CHAIR BRIAN.**

MEMBERS EXCUSED: REP. LEWIS.

**MOTION CARRIED. REP. RASMUSSEN WILL LEAD DISCUSSION ON THE
FLOOR.**

WORK SESSION - HB 3543

205 Chair
Brian Opened work session on HB 3543

207 Rep.
Shetterly **MOVED HB 3543 TO FLOOR WITH A DO PASS RECOMMENDATION.**

8 - 0 - 1

209 VOTE **IN A ROLL CALL VOTE, ALL MEMBERS PRESENT VOTED AYE: REPS.
CORCORAN, EDWARDS, RASMUSSEN, SHETTERLY, SIMMONS,
STROBECK, VICE CHAIR BEYER, CHAIR BEYER.**

MEMBERS EXCUSED: REP. LEWIS.

**MOTION CARRIED. REP. SHETTERLY WILL LEAD DISCUSSION ON THE
FLOOR.**

PUBLIC HEARING CONTINUED - HB 3104 & HB 2745

213 Chair
Brian Reopened public hearing for HB 3104, HB 2745

217 Rep.
Oakley Testified in support of HB 2745. As heard in previous testimony, there is a need for
affordable housing, but real estate transfer tax is not the answer. Cost of buying a home
is so high many families are placed out of the market. Thousands of dollars of
additional costs already exist, and this would just add to the burden.

HB 2745 will help keep housing costs down by preventing unequal taxation of property

owners. Bill prohibits local real estate transfer taxes.

Testified in favor of HB 2745, and against HB 3104. (EXHIBIT J)

234 Genoa Ingram-
Read Real estate transfer tax is a sales tax on housing. Oregon Association of Realtors has supported sales tax in past. Every sales tax voted upon by Oregon voters has exempted housing, medicine, food, other necessary items. This bill is backwards - puts sales tax on housing only. Homes should not be considered luxury item, so should be exempted from sales tax.

"Refer to National Association of Realtors" by Price Waterhouse Washington National Tax Service (EXHIBIT K) dated 1988. Federal government considered real estate transfer tax to be discriminatory and regressive.

298 Ingram-
Read Average family home accounts for 68 % of their total assets. Real estate transfer taxes weigh more on lower and middle income than on the wealthy. Small families with young children are the ones who are hit the hardest. Major hurdle for first-time home buyers is down payment. Transfer tax exacerbates this problem.

Advocated broad base tax such as income or sales tax rather than real estate transfer tax. HB 2745 would deal with layering real estate transfer taxes. It would refer to voters, whether or not local jurisdictions should levy sales tax on real estate.

This issue has been before legislature three times and has gone down.

377 Ingram-
Read Refer again to testimony, blue pages: letters from individuals in the past who have supported moratorium on transfer tax.

Oregon Association of Realtors initiated a bill for alternative funding for the Trust Fund. They continue to come up with alternative methods of funding. Rep. Repine is drafting amendments to provide alternative funding in the form of recording fees, interest on delinquent property taxes.

TAPE 155 SIDE B

031 Vice Chair Beyer Asked whether Ingram-Read believes \$75 added to closing is enough to discourage a sale.

034 Ingram-
Read Every dollar people have to come up with as far as closing costs does have a negative effect.

042 Rep.
Shetterly Requested to see comparison between Washington County and other counties.

059 Don Miner Testified in opposition to HB 3104. This is not just a sales tax on real estate, it is a sales tax on manufactured homes and travel trailers. Suggested lawmakers look at things that impact cost of housing. Look at ways to reduce costs.

(EXHIBIT L), Moore Information: A Report for The Manufactured Housing Association

070 John Brenneman Testified in opposition to HB 3104. Manufactured Housing Communities of Oregon have a long history of opposing real estate transfer taxes, opposes this too. It is burden on home buyers. Oregonians are consistent on opposing real estate transfer tax 3-1.

110 Jon Chandler Oregon Building Industry Assn. opposes HB 3014; also oppose system development charge increases. This is a critical problem. Affordable housing is at crisis point. State needs to address this, as well as infrastructure. Opposition is based on fact that the issue is so important that the builders want lawmakers to address it more thoroughly before passing a bill. During interim session, governor will convene a task force to discuss cost and benefit of growth, how to pay for infrastructure, etc. This bill, together with other impact fee bills the legislature has been discussing, should wait until interim discussion. Problem is huge. Lawmakers don't know enough yet and could do the wrong thing and make the problem worse.

144 Rep. Corcoran Asked Oregon builders for an alternative. Disagrees with necessity of an interim study idea. Number of studies been done already, the sponsors of this bill worked for two years.

165 Chandler Regulatory reform is one example of an alternative to making housing more affordable. Reduce red tape. City red tape cost adds \$20,000 to price of a house. Interim study is necessary.

188 Brenneman Believes government can do a lot to "get out of the way" in terms of fees added on at local level. HB 2641 passed in the house recently. It prohibits local governments from making larger than 1-acre requirements for development of a park. Little bits like this help provide affordable housing.

210 Chair Brian Adjourned meeting at 10:24 a.m.

Submitted by, Reviewed by,

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

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EXHIBIT SUMMARY:

- A. HB 3104, Van Landingham, Real Estate Transfer Tax & HB 3104, 2 pp.
- B. HB 3104, Van Landingham, HB 3104 -1 Proposed Amendments, 7 pp.
- C. HB 3104, Greenlaw-Fink, Community Partners for Affordable Housing Inc., Hearing on the Real Estate Transfer Tax, 6 pp.
- D. HG 3104, Weaver, Polk County Housing Authority, 1 p.
- I. HB 3104, Van Vliet, Network for Oregon Affordable Housing (NOAH) Housing Development Finance Examples, 1 p.
- F. HB 3543, Brawner, Oregon Affordable Housing Tax Credits Certified,3 pp.
- G. HB 3543, Van Vliet, NOAH Oregon Affordable Housing Tax Credit, Summary of Typical Project, 14 pp.
- O. HB 3104, McFall, Testimony Before House Revenue Committee May 1, 1997, Mayor Dave McFall, 3 pp.
- I. HB 3104, Kafoury, City of Portland, Oregon, Testimony HB 3104 Real Estate Transfer Tax, 5 pp.
- J. HB 2745, Ingram-Read, Oregon Association of Realtors, Testimony of Genoa Ingram-Read, HB 2745/HB 3104 - Real Estate Transfer Tax, 13 pp.
- U. HB 2745, Ingram-Read, Analysis of State and Local Real Estate Transfer Taxes, Prepared for The National Association of Realtors, August 1988, by Price Waterhouse Washington National Tax Service, 54 pp.
- L. HB 3104, Miner, Moore Information: A Report For The Manufactured Housing Association, 5 pp.
- M. HB 3104, Douglas Berry for Sen. Avel Gordly, Testimony Before House Revenue Committee In Support of HB 3104, 2 pp.
- N. HB 3104, Weinman, Administrative Services RE: HB 3104, 2 pp.
- AC. HB 3104, Duncan, Testimony In Favor of Real Estate Transfer Tax and HB 3104, 3 pp.
- P. HB 3104, Miller, Oregon Rental Housing Association Inc., May 1, 1996 ... In Opposition to House Bill 3104, 1 p.
- Q. HB 3210, Wade, Portland Development Commission: Testimony Before the House Revenue Committee In Support of HB 3130, 3 pp.
- R. HB 2745, Delles, Attn: James Scherzinger etc... , 1 p.
- S. HB 3104, Yates, Revenue Impact of Proposed Legislation, 2 pp.

AM. HB 3104, Yates, Staff Measure Summary, 1 p.

AO. HB 3543, Waters, Fiscal Analysis of Proposed Legislation, 1 p.

V. HB 3543, Waters, Revenue Impact of Proposed Legislation, 1 p.

W. HCR 20, LRO, Fiscal Impact Statement, 1 p.

X. HB 3210, Revenue Impact of Proposed Legislation, 1 p.