

PUBLIC HEARING AND WORK

SESSION HB 3210, HB 3543,

AND SB 540

WORK SESSION ON SB 388 TAPES 157 - 158 A/B

**SENATE REVENUE COMMITTEE**

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**MAY 21, 1997 - 9:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING**

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Members Present: Sen. Ken Baker, Chair (arrived 9:20 a.m.)

Sen. Neil Bryant, Vice Chair

Sen. Joan Dukes

Sen. Verne Duncan

Sen. Tom Hartung

Sen. Randy Leonard

Witnesses: Mike Saba, Senior Planner for City of Portland Planning Bureau

John DiLorenzo, Attorney, Portland

Peter Grundfossen, Association of Oregon Housing Authorities

Debra Buchanan, Department of Revenue

Frank Brawner, Oregon Bankers Association and Independent

Community Banks of Oregon

Margaret Van Vliet, Executive Director, Network for Oregon Affordable Housing

Staff: Brian Reeder, Economist

Ed Waters, Economist

Carol Phillips, Committee Assistant

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**TAPE 157, SIDE A**

005 Vice Chair Bryant Opened meeting at 9:13 a.m.

OPENED PUBLIC HEARING ON HB 3210

025 Mike Saba Exhibit F - Written testimony in support of bill. HB 3210 extends sunset date for a property tax exemption program that the City of Portland has been using for over 20 years. Actual name of program is Limited Property Tax Exemption for Rehabilitated Residential Property and this is an extremely important housing incentive for Portland. Over 3,000 rental units have undergone major rehabilitation. Over 1,700 have been returned to tax rolls with higher assessed value. The statute allows, but does not mandate, that local communities enact this program. The program provides limited property tax exemption for up to ten years. In Portland over 50% of housing stock was built before 1949, so many buildings can benefit from rehabilitation.

059 John DiLorenzo Exhibit E - Written testimony in favor of bill. If there is a rental housing project within a distressed area, the City of Portland will make a deal with the developer. In exchange for a complete review by the Bureau of Buildings, which normally results in a citation, and in exchange to remedying items subject to citation, the project can receive a ten-year property tax freeze, not on the original tax base, but on the value added.

076 DiLorenzo Program has been so successful that it has almost single-handedly been responsible for the metamorphosis of many areas in downtown Portland. Many of the buildings which were low income housing are no longer low income. Some are bringing in as much as \$1,000 a month in rent. Some buildings are good candidates to become condominiums. Elevates neighborhood and creates higher property values. Believes City of Portland agrees with (-1) Amendments but suggested two small changes.

132 Saba Confirmed that the City of Portland agrees with the two changes. The City does want to see any low income housing units lost to condo conversion.

137 Sen. Dukes Asked DiLorenzo if any property that is or could become apartments qualified to be in the program. Is the freeze targeted at low income apartments or is it available to anyone who wants to create condos?

145 DiLorenzo Answered that the program can be used only in a city that enacts an ordinance to adopt it. So far the City of Portland is the only city which has done so. Areas must be distressed areas and determined by the Secretary of Housing and Urban Development to be so with the City of Portland concurring. Program designed primarily for low income projects in need of rehabilitation. This project encourages people to bring low income properties to at least a livable condition. Program has been so successful that whole neighborhoods have improved. Questions and discussion interspersed.

225 Peter Grundfossen Stated he has no direct interest in HB 3210. Housing Authorities provide housing for low income people, but they cannot do the job alone. Speaking to broad intent of bill, to extend the capacity of Portland to provide property tax exemptions is of great benefit. The broad scope of the program is excellent and should be continued.

CLOSED PUBLIC HEARING ON HB 3210

OPENED WORK SESSION ON HB 3210

241 Sen. Leonard MOVES (-1) AMENDMENTS TO HB 3210 AS AMENDED BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.

MOVES HB 3210 TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

245 Sen. Leonard ROLL CALL VOTE: MOTION PASSES: 6 - 0 - 0

SENATORS VOTING AYE: DUKES, DUNCAN, HARTUNG, LEONARD, BRYANT, BAKER.

Sen. Leonard will carry the bill on the Senate Floor

CLOSED WORK SESSION ON HB 3210

OPENED WORK SESSION ON SB 388

273 Ed Waters Exhibit G - (-5) Amendments. These Amendments combine the (-3) and the (-4) to correct errors that were discovered.

291 Chair Baker MOVES (-5) AMENDMENTS TO SB 388 BE ADOPTED.

293 Sen. Dukes Asked a question regarding the original bill the (-5) Amendments are amending. Has learned that the federal tax form is so complicated, in particular the earned income tax credit portion, that the average person cannot complete it on their own. The target group for this earned income tax credit cannot afford tax preparers who might understand the legalities.

308 Debra Buchanan Explained that the earned income credit calculation can be fairly complicated, but there is a provision in federal law that allows taxpayers to have tax calculated by the Internal Revenue Service so that it can be done for them. This bill takes a percentage of the federal credit, so it would be 5% of that amount. There are resources which the target people can use to help them with tax preparation.

330 Chair Baker HEARING NO OBJECTION, THE CHAIR SO ORDERED.

331 Chair Baker MOVES SB 388 AS AMENDED TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

334 Sen. Duncan Asked to explain why he will vote for SB 388 as amended. Very excited about concept of the bill and getting it funded. Explained that though he wants the bill to move forward, he does not want it to get caught up in politics. Hopes there will be funding but not to the detriment of other good programs. Believes there will be negotiating going on.

355 Sen. Leonard Stated he is concerned for the same reasons expressed by Sen. Duncan, but will not support bill even though he supports the principle of the bill. He is afraid the bill will be used as a bargaining chip for the Senate President to use in negotiations with the Speaker of the House and the Governor. Sen. Leonard cannot support that action and will vote no so he can file a Minority Report specifically identifying a funding source. Does not want to be a part of an attempt to have the working poor used as a bargaining chip. He will provide a bill identical to SB 388 but it will have a dedicated source of funding source from revenues not previously dedicated to any other purpose.

387 Sen. Bryant Will support SB 388 enthusiastically. Believes it rewards people who are working and is the type of incentive needed. Does not believe this will be used as a bargaining chip. Has spoken with the Senate President, who is supportive of this bill.

433 Sen. Dukes Said she has been in the legislature long enough to know that if the Senate President really wants something to happen, chances are 99-to-1 it will happen. The same for the Speaker of the House. But has not heard anyone say that this bill has reached that level of priority in the Senate, or in the building for that matter. Concerned that the level of priority may not be up there yet. Not saying that anyone in the Senate Revenue Committee would use this bill for political reasons, but concerned that the level of commitment at the top may not be there.

022 Chair Baker Stated that at the start of the session President Adams indicated to him in strong terms that this was of extremely high priority. Feels this is good policy and begins thought process of working toward reforming tax code in 1999 session. This is a first step toward that.

045 Sen. Duncan Wanted to comment on the enthusiasm he feels for this bill. Knows the Senate President is very supportive of this concept.

ROLL CALL VOTE: MOTION PASSES: 4 - 2 - 0

SENATORS VOTING AYE: DUNCAN, HARTUNG, BRYANT, BAKER.

SENATORS VOTING NAY: DUKES, LEONARD.

054 Chair Baker Sen. Baker will carry the bill on the Senate Floor.

SEN. LEONARD AND SEN. DUKES SERVED NOTICE OF INTENTION TO FILE MINORITY REPORT.

CLOSED WORK SESSION ON SB 388

OPENED WORK SESSION ON SB 540

064 Chair Baker Stated this is a bill sponsored by Sen. Miller. Chair Baker did not have time to work the bill at this time. Sen. Miller has requested the bill back.

067 Chair Baker MOVES SB 540 BE REFERRED TO RULES COMMITTEE.  
HEARING NO OBJECTION, THE CHAIR SO ORDERED.

CLOSED WORK SESSION ON SB 540

OPENED PUBLIC HEARING ON HB 3543

077 Frank Brawner Stated that the Network for Oregon Affordable Housing ("NOAH") began in 1990 and has been a successful partnership between State of Oregon, communities across the state, and lending institutions. NOAH invokes a 4% tax credit to the lender that must be passed on the borrower which must be passed on to the tenant.

Exhibit L - Written testimony in favor of bill. Explained there are 19 member banks in

094 Margaret Van Vliet the consortium. Since then they have loaned and committed over \$52 million for the financing of over 2,100 units across the state. Discussed a how a typical project accumulates funding from many sources and with the Oregon Affordable Housing Tax Credit provides affordable housing to seniors and others.

144 Brawner Reiterated that affordable housing is a statewide need and that the partnership between public and private funds in necessary to bring it about. "Creative scrounging" is a term that could be used to describe ways to reduce rents for people in need. Program is certified by the Housing Agency to be sure the money is well spent. Questions and discussion.

CLOSED PUBLIC HEARING ON HB 3543

OPENED WORK SESSION ON HB 3543

MOVES HB 3543 TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

192 Sen. Bryant ROLL CALL VOTE: MOTION PASSES: 6 - 0 - 0

SENATORS VOTING AYE: DUKES, DUNCAN, HARTUNG, LEONARD, BRYANT, BAKER.

Sen. Bryant will carry the bill on the Senate Floor.

199 Chair Baker Adjourned meeting at 9:42 a.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

- A. HB 3210, Reeder, Revenue Impact Statement, 1 page
- B. HB 3210, Reeder, Staff Measure Summary, 1 page
- C. HB 3210, Reeder, Fiscal Impact Assessment, 1 page
- D. HB 3210, Reeder, (-1) Amendments (DJ/ps) 5/20/97, 3 pages
- E. HB 3210, DiLorenzo, Written testimony dated 5/21/97, 5 pages
- F. HB 3210, Saba, Written testimony dated 5/21/97, 4 pages
- G. SB 388, Waters, (-5) Amendments (DJ/ps) 5/20/97, 7 pages
- H. SB 388, Waters, Time Line, 1 page
- I. HB 3543, Waters, Staff Measure Summary, 1 page
- J. HB 3543, Waters, Revenue Impact Statement, 1 page
- K. HB 3543, Waters, Fiscal Impact Statement, 1 page
- L. HB 3543, Van Vliet, Written testimony, 14 pages