

House HUD January 29, 1991 Page

HOUSE COMMITTEE ON HOUSING AND URBAN DEVELOPMENT

January 29, 1991Hearing Room 8:00 a.m.Tapes 10 - 13

Measures heard: Informational

MEMBERS PRESENT:REP. BOB REPINE, CHAIR REP. JUDY BAUMAN, VICE-CHAIR REP. MARIE BELL REP. ROD JOHNSON REP. DAVE MCTEAGUE REP. GAIL SHIBLEY REP. RON SUNSERI

STAFF PRESENT:JANET MCCOMB, COMMITTEE ADMINISTRATOR KIMBERLY BURT, COMMITTEE ASSISTANT

WITNESSES:ADRIANA CARDENAS, PROGRAM MANAGER, AGRICULTURAL LABOR COMMISSION JACK POMPEI, OREGON OCCUPATIONAL SAFETY AND HEALTH DIVISION, (OR-OSHA) TIM DAHLE, OREGON FARM BUREAU DOUG KRAHMER, FARMER, CORNEILUS, OREGON DAVID NEBEL, OREGON LEGAL SERVICES MARILYN COFFEL, BUREAU OF LABOR AND INDUSTRIES, (BOLI) MICHAEL PARK, PARK FOREST PRODUCTS, ESTACADA, OREGON BUD WORLY, DIRECTOR OF OPERATIONS, PARK FOREST PRODUCTS, ESTACADA ALFREDO MARTINEZ, FARM LABOR CONTRACTOR CHARLIE HARRIS, DIRECTOR, CASA OF OREGON KEN PALLACK, CASA OF OREGON NORBERT KINEN, J. FRANK SHCMIDT & SON NURSERY RON FUJII, OREGON CANE BERRY COMMISSION AND GROWER ANTHONY WURINGER, VICE-CHAIR, OREGON CANE BERRY COMMISSION PHILLIP YATES, ATTORNEY & REAL ESTATE DEVELOPER, PORTLAND, OREGON

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the

tapes.

TAPE 10, SIDE A

005 CHAIR REPINE: Calls the hearing to order. (8:04 a.m.)

Roll Call: Representatives Bell, Johnson, Shibley, Sunseri and Repine answer "present".

REP. BAUMAN arrives at 8:05 a.m.

024 ADRIANA CARDENAS, PROGRAM MANAGER, AGRICULTURAL LABOR COMMISSION: Submits written testimony and informative material, (EXHIBIT A), regarding the history of the Agricultural Labor Commission and the changes since the last legislative session.

090 CARDENAS: Highlights the five bills (SB 731, SB 732 SB 733, SB 734, SB 735) passed in the 1989 session dealing with farm worker labor camps and the housing of farm workers, see Exhibit A.

112 CARDENAS: Migrant workers are those who move with the crops and seasonal workers are those that stay in one place and work on seasonal

crops, therefore, their housing needs are year round.

130 CARDENAS: I drafted an issue paper on farm workers for Governor Roberts

and part of that deals with housing, see Exhibit A.

REP. BELL: Is there migrant housing vacant during the year?

CARDENAS: There is some in Forest Grove; the funding for it requires that it be available for migrant workers.

REP. BELL: Is the requirement that it be available or vacant?

CARDENAS: My understanding is "available", but it has been interpreted to mean that it must be "vacant" for three months out of twelve.

155 REP. SHIBLEY: How much is a lack of housing as opposed to uninhabitable

housing?

CARDENAS: My understanding is that the shortage of housing is the biggest problem; one study shows approximately 8% of the needed housing is available and of that 8% available, much is in very bad condition.

170 REP. SUNSERI: What are your ideas for solutions?

CARDENAS: The report gives many details. (Exhibit A)

Some recommendations the commission has suggested are to support the Housing Trust Fund and we suggest that a percentage of that trust fund be allocated to farm worker housing.

CARDENAS: We have seven recommendations listed in the report.

205 CHAIR REPINE: Is the commission proposing any legislative changes?

CARDENAS: No, but we will be supporting other legislation introduced.

217 JACK POMPEI, OREGON OCCUPATIONAL SAFETY AND HEALTH DIVISION, (OR-OSHA): Submits informative material, (EXHIBIT B), summarizes history of OR- OSHA, their programs, grants and duties.

270 POMPEI: I will go through the 1990 activity report covering labor camp inspection results and penalty amounts, see Exhibit B.

320 POMPEI: We are more than a regulatory entity; we enforce OR-OSHA rules,

we have a consultative program, a training staff, a technical staff and a grants program where we take penalty money and give it back to business and labor groups as a grant to develop occupational health and safety training and education parameters.

REP. MCTEAGUE arrives at 8:25 a.m.

POMPEI: We are a full service division; in 1989 the injury and incident rate went down 1/2 a point and because of the reduction, the NCCI consulted with the Attorney General and the pure premium rate for

insurance was reduced by 12%.

395 CHAIR REPINE: You have 243 people; how many deal specifically with agra-business?

POMPEI: Four or five people are in that section, however we can move more people in there if necessary.

415 REP. SHIBLEY: How do the consultative services work?

POMPEI: When there is a consultative visit by OR-OSHA there is no inspection.

REP. SHIBLEY: Do the inspectors go out, and then owner shows proof of consultative services?

TAPE 11, SIDE A

POMPEI: The inspectors are also under me so we know who is receiving consultative services.

050 REP. SHIBLEY: Why would you go to the site if they were receiving consultative services?

POMPEI: If there is a complaint, our people will go out and that would be considered a compliance inspection.

REP. BAUMAN: Clarifies what is an "unsuccessful attempt", see Exhibit B.

098 DAVID SPARKS, DEPUTY ADMINISTRATOR, OREGON OCCUPATIONAL HEALTH AND SAFETY DIVISION, (OR-OSHA): The reference to 53 unsuccessful attempts to conduct inspections due to invalid referrals, complaints, uninhabited camps or camps receiving active consultative services is saying that we did respond, on site, to referrals or complaints.

You have to understand that when an active consultation is going on, the compliance officers and consultants don't communicate with another; we don't want consultants and the compliance officers knowingly running into each other on the job site.

If an employer calls OR-OSHA for assistance and a consultant comes out and then suddenly a compliance officer shows up, then it is probably the last time that employer will request assistance from OR-OSHA.

If the compliance officer discovers that there is an active consultation, then typically the compliance officer will withdraw; if it was a complaint or accident investigation the consultant will withdraw and the compliance officer does the inspection.

125 SPARKS: Invalid referrals or complaints means that perhaps the camp was

vacant or the address was inaccurate; the effort is there to respond to referrals and complaints and occasionally one OR-OSHA staff member will run into another, but we have procedures for one to withdraw.

REP. BAUMAN: I would like to see that camps that are in good condition receive a positive citation and I would like to see employer assistance for those who are interested.

175 REP. BELL: Where does money for grants come from?

POMPEI: Our penalty money goes into the Workers' Compensation Reserve Fund; last session we were allowed to use \$400,000 of that fund for a grant program to get Oregon business and Oregon labor working together.

REP. BELL: Why does all the money go to the Workers' Compensation fund vs. putting it into migrant farm worker housing?

POMPEI: The way OSHA works is that the penalty money doesn't go back to the individual groups penalized.

226 REP. BELL: I was considering putting the penalty funds from migrant camps directly back into migrant camps.

POMPEI: This is a federal penalty structure and it is the same in all states.

REP. JOHNSON is excused. (8:50 a.m.)

280 CHAIR REPINE: Calls a recess for the purposes of a break. (8:53 a.m.)

Tape inadvertently left running - blank spot.

410 CHAIR REPINE: Calls the hearing back to order. (9:00 a.m.)

425 TIM DAHLE, CHERRY GROWER, THE DALLES, OREGON: In The Dalles we house about 6,000 people a season.

Submits written testimony, (EXHIBIT C).

To be competitive is to provide good housing; we share that common goal and we have to concentrate on encouraging registration and new camp construction.

TAPE 10, SIDE B

DAHLE: We should have building standards administrated by OR-OSHA rather than the state standards; we need good standards, but they are a little too stiff.

035 DAHLE: A lot of us haven't been profitable enough to put in new buildings; we need affordable housing.

Property tax relief is needed also as property taxes are making it very difficult.

060 DAHLE: Farmers shouldn't be charged high fees for registering camps as that penalizes the farmer.

I don't think we should be charged for inspections that we need; OR-OSHA should be the sole agency responsible for inspections.

REP. MCTEAGUE returns from break. (9:07 a.m.)

092 CHAIR REPINE: Are there any pending laws that you or the Farm Bureau are going to introduce?

DAHLE: Not that I'm aware of.

097 REP. BELL: Would you be willing to work together to come up with presentations to us as a committee?

DAHLE: Yes.

101 REP. SUNSERI: What are the charges for inspections and registration of camps?

DAHLE: \$35 or \$75 dollars for registration and there again my recollection was a \$75 fee; I would rather defer that question to OR-OSHA so it would be more accurate.

REP. BELL: Do you know where the fee for inspections goes?

DAHLE: No.

115 DOUG KRAHMER, BERRY GROWER, CORNEILUS, OREGON: In the next five years or so the older housing in this state will become a problem.

Rehabilitation of housing is necessary but not economically feasible because of the building regulations.

150 KRAHMER: In Washington County we are still having siting problems; last

session there was a bill that said that the county didn't have to site farm labor camps, although Washington County continues to do so.

We do need help from the state; we need to think of a long term plan on how to rehabilitate the existing housing and get it up to par.

There is a shortage of family type housing; we operate a family camp and the conditions of the building there will require that we demolish it within three to four years.

190 KRAHMER: As the older family type housing goes, the pressure increases as there are more families now as opposed to single workers.

250 REP. BAUMAN: This could be comparable to the DVA program; if we focus smaller and more locally, maybe we could fulfill our obligation.

KRAHMER: We make sure that everyone in our family camp that wants to work is working; they are all working and have been all winter with the exception of the time when there was extremely cold weather.

REP. BAUMAN: You would make improvements in the housing and the cost of those would be passed on through rent, with the presumption being that these people can afford rent?

KRAHMER: These people are working in different places around the community; we are asking them to help with the utility bills which is about \$60 per month and those charges are only asked of them when we aren't employing these people.

REP. BAUMAN: Then you are subsidizing the other employers by providing housing.

295 KRAHMER: Right, we are providing the housing and we are also

housing some families that otherwise wouldn't know where to go; we are trying to be responsive to the families, they do want to stay in the community, they want their kids to go to school and they do need to have a roof over their heads.

305 REP. BAUMAN: If we look at an employer assisted housing program, then the other employers have an obligation which is being avoided.

Maybe there is a trade off here, where the wage and housing are linked, otherwise the employee, the employer and the industry suffer in the breach.

KRAHMER: I understand your philosophy but I'm not sure what it would mean to us; we have been in the housing business for 25 - 30 years so we would be receptive to any ideas coming out of this committee.

340 REP. BELL: Would there be support to introduce legislation putting the penalty funds from agriculture back into agriculture?

CHAIR REPINE: First we have to know where those funds are going.

REP. BELL: Perhaps the witnesses could look into that and see if that is even a possibility.

353 REP. SUNSERI: You aren't interested in recapturing the dollars from other employers, but would like help in getting some relaxed regulations and some cooperation from the counties?

KRAHMER: Yes, I would very much like to improve our housing, but affordably and we need some way to do that.

400 DAVID NEBEL, OREGON LEGAL SERVICES: I am speaking for Michael Dale, the

Director of our program that deals specifically with farm workers and those issues and he asked me to make eight points to you today.

The first point is that farm worker housing is still a problem for our clients.

The second point is that we basically agree with the conclusions of the CASA study with one caveat.

445 NEIBEL: Mr. Dale points out that standard units become sub-standard with overcrowding.

The fourth point is that the problem here is undersupply of farm labor housing, not the regulatory structure; we need to take action to increase the supply of housing, focusing on production.

466 NEIBEL: The fifth point is that there are more families of farm workers

now and they are staying throughout the year; the result is less adequate farm labor housing to meet this need.

The sixth point is that we should try to encourage construction of new farm labor housing within urban growth boundaries where farm workers can be part of a community and housing can be more of a year round facility.

TAPE 11, SIDE B

030 NEBEL: We need to support local community organizations and housing development corporations.

Housing needs to be built specifically for farm workers for a number of reasons, the first being that there is some discrimination based on the race of farm workers and second, there is a stigma attached to renting to migrants so they don't have the equal shot of getting access to the housing that is available.

The third point is that often the families tend to be larger.

060 NEBEL: Landlords tend to want to rent to people who stay longer, therefore there are problems that can't be solved by standard housing; the irregular income also needs to be factored into the equation.

People who need low-income housing generally need to know where to apply for it; most people we are dealing with don't know how to get access to the system.

080 REP. SUNSERI: Most farms and nurseries are outside the urban growth boundary, how would the workers get to work?

NEBEL: That may create one problem but solve another; many times farm workers don't have access to community services as they are out on a farm or nursery.

They will have to be transported to the farms; that is something for the workers and farmers to work out.

REP. BELL: If we could arrange some kind of public/private partnership between agriculture, cities and counties, that may be a way to go about this.

115 MARILYN COFFEL, BUREAU OF LABOR AND INDUSTRIES, (BOLI): There is a registration fee of \$25 for those camps that we grandfathered in as a result of the 1989 legislation; there is a \$75 fee for pre-occupancy inspections.

There were about eight bills that affected us in the 1989 session; we got our authority limited in some aspects and expanded in some other aspects and any fees that are collected go directly into the general fund.

We register camps because the legislature felt that we should since we license farm labor contractors and farm labor camp operators.

150 MIKE KAIEL, DEPUTY COMMISSIONER, BUREAU OF LABOR AND INDUSTRIES, (BOLI):

The Bureau does register camps and currently we have about 350 camps registered; there are about 70 camps that we are aware of that are not registered and we are preparing to inspect them.

REP. BAUMAN: How many weren't registered two years ago?

KAIEL: About 200 that we knew of.

173 BILL PICK, SUPERVISOR, FARM FOREST LABOR UNIT, BUREAU OF LABOR AND

INDUSTRIES, (BOLI): We do encourage registration of camps; we have two public service representatives who devote almost all their time to visiting labor camps from now until the first of October.

KAIEL: Reviews what inspections cover and what BOLI regulates.

We do have a joint pre-occupancy inspection with OR-OSHA and we also refer any possible code violations to them to follow up as we don't enforce health and sanitary requirements.

200 KAIEL: BOLI produced a report on this issue in 1986, (EXHIBIT D) and that identified many things that must be done to turn the situation around, one of which was technical assistance.

The second recommendation was a trust fund.

There has been increased enforcement as recommended and that has made a tremendous difference.

Zoning is still an issue and where there are still a number of problems.

We have seen a shift in needs from on site housing to off site housing; there is a major problem finding off site family housing.

245 REP. BELL: If we designate OR-OSHA as the sole agency responsible for camp inspections, would that work?

KAIEL: No.

REP BELL: Do you assess penalties for violations?

255 PICK: There is a bill this session that would give us a penalty of \$1000; currently we have to go through the administrative process.

KAIEL: With child labor violations we have penalty authority now.

270 COFFEL: Summarizes activities in their authority area; we have had to develop new rules and an interagency agreement with OR-OSHA.

We were required to recruit bi-lingual employees and we have done that and have employees that speak russian and spanish.

We are responsible for tracking re-forestation contracts and payroll certification records.

We have been conducting TA seminars and had over 250 growers attend; the new laws were covered and other agencies were also involved.

301 COFFEL: Since this session started legislators have been interested in re-examining the migrant and farm worker housing area as well as the different jurisdiction authorities.

There are a lot of players with different jurisdictions and there has been talk of consolidating authority and there are people interested in reducing barriers for the growers to develop new housing as well as being able respond to their questions.

REP. BELL: What do you think about relaxing the state building requirements?

COFFEL: That is a safety building issue that is out of our jurisdiction; I took a group of legislators through camps three or four years ago and I am not sure how you could loosen up the code requirements and some are also contrary to some local requirements.

353 REP. BAUMAN: Do farm workers receive payroll checks like everyone else,

with deductions taken out?

COFFEL: Some workers are paid daily and some weekly; the employers are required to keep records of deductions.

PICK: A lot of workers are paid in cash and often aren't told of the hours being paid for, or the amounts of deductions.

400 REP. BAUMAN: This is a problem for the employer who is confronted with a new set of requirements; in your field experience has anything come to mind in the way of an incentive assistance program to the employer who is providing housing?

COFFEL: The majority of workers don't live on the site where they work; our new focus will be on "illegal camps" within the boundaries of the cities as that is where we are finding the problems.

I agree that we tightened the screws and they do need help on how to upgrade or build new housing and I guess the form that help comes in will take another visitation this session on your part.

488 CHAIR REPINE: Calls a recess for the purpose of a ten minute break.

TAPE 12, SIDE A

035 CHAIR REPINE: Calls the hearing back to order.

050 MICHAEL PARK, PARK FOREST PRODUCTS, ESTACADA, OREGON: I am an agricultural employer in the Christmas tree nursery business; in the last five years we have experienced an increasing need for farm labor housing.

I purchased a facility recently to rehabilitate it, but there doesn't seem to be financing available.

As a general contractor myself, I think that licensed contractors should do the work, so it is safe.

The banking community indicates that the funding is a 1 1/2 to 2 years out; I feel that the real problem is funding.

PARK: We are asking for an avenue of funding.

085 BUD WORLY, DIRECTOR OF OPERATIONS, PARK FOREST PRODUCTS, ESTACADA: I have been a banker for almost twenty years but decided to make a career change recently and my now my job is to seek out funding for some of these projects.

We do have a project under way; we have the plans, the site and have acquired the land.

Our plan is for an apartment-style facility as opposed to a barrack and

our intent is to provide a top quality facility for people.

100 WORLY: Having been a banker, I understand the terms and conditions.

The financing is obscure, you have to know people in certain places; it isn't user friendly.

A program similar to the DVA loan program would make the process easier; we could use an improved funding mechanism.

130 CHAIR REPINE: If you could make available to the committee what that vehicle would look like it would be helpful.

134 ALFREDO MARTINEZ, FARM LABOR CONTRACTOR: I have been a farm labor contractor for three years; housing is always the problem, these people want to build and I think they should have the chance to build.

CHAIR REPINE: Is the housing in town more desirable or would the worker rather be on site?

MARTINEZ: I haven't run into that problem but if someone wants to use the labor, I ask them to give them money for rent.

REP. BELL: Has there been any attempt to mesh seasons and laborers and financing to come up with housing that would compliment you and another agricultural entity so that you could pool money?

PARK: I have farm labor workers that are year round workers and I see that as a trend but we can't find housing; we want to build, but there is no funding.

WORLY: Perhaps a facility in a central location would be helpful so that different workers could use it.

180 CHARLIE HARRIS, DIRECTOR, CASA OF OREGON: This is a non-profit tax exempt organization which basically provides technical assistance to growers as well as to other non-profits and housing authorities in the development of farm worker housing.

As a result of the last legislative session we contracted with the Oregon Housing Agency to do a survey of the existing housing in Oregon, (EXHIBIT E).

210 KEN PALLACK, CASA OF OREGON: The survey was done in two parts, labor camps and off-camp housing and we used OR-OSHA standards, (Exhibit E).

There is capacity for anywhere from 6000 to 11,000 farm workers, depending on what you are looking for.

About 77% is in good condition; most of the poor housing is in the Willamette Valley.

240 PALLACK: Gives percentages, see Exhibit E.

There are approximately 20,000 people living in camps, and clearly there isn't enough facilities to house them.

In off-camp housing we found great overcrowding, see page 5 of the report, see Exhibit E.

The graph on page 37 gives you an idea of the density, see Exhibit E.

298 CHAIR REPINE: We will schedule a meeting to look at the report and ask specific questions on it at that time.

REP. BELL: Is there a section on recommendations?

HARRIS: We didn't include a section on recommendations in the report, simply to keep the subject neutral, but my written testimony includes recommendations, see Exhibit E.

323 HARRIS: There are many small pots of money out there, it is our job to exploit those; summarizes the recommendations, see Exhibit E.

350 REP. BAUMAN: With Measure 5 a large proportion of that relief goes to corporations; it would be interesting to see a chart showing all Oregon corporations moving through that giving us an idea of how many enterprises are dependent on farm labor.

HARRIS: The idea of employer assisted housing should be investigated, but just as much is needed in town and that shouldn't be tied to a particular employer.

I think the focus should be on in town housing; it is difficult on the farm as the workers are away from community services.

472 NORBERT KINEN, J. FRANK SHCMIDT & SON NURSERY: The nursery industry in Oregon is the third largest in the United States; we need to stay competitive throughout the United States, and there is competition.

TAPE 13, SIDE A

035 KINEN: We are 19th in the nation; we will peak at 500 workers this year, 360 of those are permanent workers who live here all the time and 70% of the 500 workers are hispanic and they are very important to us.

We are trying to bring hispanics into the United States and are trying to get them settled; these people have hopes and we should, as an industry, fulfill those hopes.

055 KINEN: Housing costs are beyond these people's means and the housing is

of low quality and we suspect that there is more discrimination than there appears to be.

There is a long waiting period for low income housing and there is a problem with getting the information out.

We aren't encouraging on site housing; we feel they should be in the community, becoming Americanized.

082 RON FUJII, OREGON CANEBERRY COMMISSION AND GROWER: I am on the Oregon CaneBerry Commission, but we are also working with the Oregon Strawberry Commission and the Oregon Blueberry Commission to try to talk about farm worker housing.

We have our own housing for our seasonal workers; our season is fairly short with strawberries, so we got into other crops to extend the

season.

The paper work is burdensome and anything you can do to streamline the system would be appreciated.

110 FUJIII: Anything that can be done, such as tax credits, anything to help

with housing or anything to cut down on the paper work would be appreciated.

113 ANTHONY WURINGER, VICE-CHAIR, OREGON CANE BERRY COMMISSION: I operate a farm with my brother; we have looked at some of these problems in a little different light.

We used to depend on a local contractor, we didn't use any housing; I became my own licensed labor contractor, I am bonded, my camps are registered; we have jumped through all the state hoops and I might add that it "one big mountain to get over" for anyone wanting to do it right and cover all the bases.

We expanded our crops to have a longer season and I got the contractor license so that when we don't have work I can take my crew to another farm to keep our crew intact, trying to find them work, so they will be available when I have work for them.

145 WURINGER: Our strawberry industry has gone from 7500 acres to less than

5000 and has put downward pressure on the ability of some of the employers to function.

On our farm we provide transportation and we don't charge rent; most of our housing resembles an unfinished garage.

We pay on a weekly basis with the proper deductions and my workers' end up making more than minimum wage.

170 WURINGER: Don't lose sight of the single males who are here for a short

time; I suspect a vast majority of the work is done by single males and will continue to be so.

181 REP. SUNSERI: Why is it difficult to do this right?

WURINGER: The regulatory measures passed are difficult; I applied for a state license, a federal license, state required insurance policies and became a licensed labor contractor which raised my insurance and four months later the company dropped that line of insurance.

There are bond requirements that are high also.

CHAIR REPINE: If you could mail us your concerns and suggestions on paper it would be helpful.

220 WURINGER: We need more housing, but we need four different levels of housing: on-farm housing, conventional apartments, low income housing and single family housing within the confines of the urban growth or the cities, but we need this at all levels.

REP. BELL excused 10:50 a.m.

REP. BAUMAN: We would like to fine tune this so that the result leads us to more, better housing.

WURINGER: We are working with small margins; there isn't a big return in what we are doing; I don't have the answers.

297 FUJII: We've been registered for a number of years and I do appreciate BOLI going around to the unregistered farms so that everything is on the same line; our margins are so thin at least this keeps everyone on the same plane.

I appreciate the laws being changed and BOLI increasing their staff to take care of that problem.

316 PHILLIP YATES, ATTORNEY & REAL ESTATE DEVELOPER, PORTLAND, OREGON:
I am

going to talk briefly about my experiences in looking into how to develop farm worker housing.

The 50% tax credit to the original investor isn't allowed to be transferred with the sale of the house; there is also a tax credit for the lenders to reduce the interest rate.

335 YATES: The banks won't loan for farm worker housing on a farm because of zoning for exclusive farm use, (EFU), and if the farmer goes broke then the "sticks and mortar" you put up for the new farm labor camp is worthless collateral.

The banks will loan 75 - 80% on housing in town, but not on the farm.

A lot of farmers are reluctant to put their dollars into this as they don't know what the business will be like in two or three years.

There is an opportunity to finance mobile home housing on the farm, but then you have regulatory problems; a HUD code home isn't appropriate for bunk houses according to the Building Codes Agency.

377 YATES: There is some new "break down" type housing, tent type structures but that is all new and hasn't been proven yet.

Because the seasons are so short and there is such a high cost to build housing, there is a basic amortization problem.

390 YATES: I looked at housing in town, but if you try to put in multi-family housing, or a farm labor camp, there are many regulations and there are land use citing problems.

By process of elimination I concluded that the only way this tax credit could work would be to build scattered cite housing for year round farm workers rather than seasonal farm workers.

436 YATES: This is targeted at the wealthiest of the farm workers, and we came up with a project which does provide opportunities for that kind of housing, and that is outlined for you, (EXHIBIT F).

Uses example of a \$60,000 house on a \$10,000 lot; we get 45,000 from the

bank and 15,000 from the investor and build a house for \$60,00 and immediately upon building it we sell it to a non-profit organization like CASA of Oregon for \$45,000, the amount of the bank loan.

475 YATES: We also then create for our investors a charitable contribution equal to the difference of the value of the house, \$60,000 and the price that we sell it to the non-profit, \$45,000.

Then we have generated not only the \$25,000 in tax credit, but also the \$15,000 deduction for our investors through this limited partnership we have created.

CASA of Oregon then has the house under a land sale contract, with no money down and their contract to the partnership is also interest only, with a five year balloon, just like our loan to the bank.

TAPE 12, SIDE B

025 YATES: CASA then finds a farm worker family to move in under a lease option contract; the contract says pay the rent each month (\$550) and the farm worker can own by the house at the end of five years, for \$45,000.

We essentially shifted the equity from the investor, through the non-profit, to the farm worker family at the end of the five year tax credit period.

037 YATES: The deal is complex because we had to keep the rent down for these families and the only way to do that is because we have transferred the ownership to a non-profit and they have a property tax exemption.

The other advantage with involving the farm worker family is that we get to create this charitable deduction, having a 501(3)(c) involved, as the owner, we get to generate for our investor, an immediate tax break.

We have been forced into this arrangement to take advantage of as many different subsidies to build these houses for these low income people.

063 YATES: I believe that taking money from investors who happen to be employers, and providing housing for their workers on the condition that they stay in that line of work, not necessarily for that employer, is an appropriate model to support low income housing.

REP. BAUMAN: What would the rent be on the regular market for this housing?

YATES: If you did a survey based on current rents in a particular area, you'd get one number and a rent level of approximately \$50 to \$100 more than we are charging; then there is the issue of what it would cost to build a new house and rent it at a reasonable rate of return without subsidy, and that is why no one builds this kind of housing for rentals.

105 REP. BAUMAN: How much are all the exemptions worth?

YATES: A lot; without them rent would be \$900 to \$1000 a month.

121 CHAIR REPINE: We are adjourned. (11:11 a.m.)

Submitted by, Reviewed by,

Kimberly Burt Janet McComb Committee Assistant Committee Administrator

EXHIBIT SUMMARY:

A - Written testimony and informative material submitted by CARDENAS, pp 16
B - Informative material submitted by POMPEI, pp 42
C - Written testimony submitted by DAHLE, pp 1
D - BOLI report from 1986 submitted by KAIEL, pp 3
E - Oregon Housing Agency survey of the existing housing in Oregon and written testimony submitted by HARRIS and PALLACK, pp 74
F - Informative material submitted by YATES, pp 5
G - Informative material submitted by STAFF, pp 4