

SENATE COMMITTEE ON BUSINESS, HOUSING & FINANCE & HOUSE COMMITTEE ON
HOUSING AND URBAN DEVELOPMENT

February 19, 1991 Hearing Room B 8:00 a.m. Tape 20 - 23
MEMBERS PRESENT: Sen. Jim Hill, Chair Sen. Peg Jolin, Vice Chair Sen.
Jane Cease Sen. Joyce Cohen Sen. Bill Kennemer 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: Carol
Kelsey, Committee Administrator Stuart Farmer, Committee Assistant Janet
McComb, Committee Administrator Kimberly Burt, Committee Assistant

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

TAPE 20, SIDE A

005 CHAIR HILL: Calls the hearing to order at 8:10 a.m. Welcomes the
NCSL delegation. Points out the strong desire to discover option to
states housing problems. 030 SCOTT CHAZDON: discusses the Community
Development Program of the NCSL. Community development is a process that
links affordable housing with community economic development, with
community based social services, with job training, community
reinvestment and with the support of non-profit community based
developers. Introduces the panel; Lawrence Conn and Ann Hoskins (See
EXHIBIT A). 065 > States looking at alternatives for Housing revenue,
through housing agencies which use bonds to fund their program and
through executive agencies which use general funds and other sorts of
revenue from renewable sources. States have also been looking at housing
trust funds which are Senate Commhtee on Business, Housing & F.nance
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often tied to renewable sources of revenue (See EXHIBIT B, page 3).

090 > Puzzle pieces: CESCIR- credit, equity, subsidy, capacity and
infrastructure regulation. relates his experience in anthropology to the
task of piecing the problems of Housing together. 118 > CREDIT; both
private and public credit. It takes loans and bonds to make affordable
housing policy work. 120 > EQUITY; equity is needed to attract
credit. Tax credit policies help to free up this equity. 124 >
SUBSIDY; used to create liquidity of money and to make housing more
affordable by feeding the subsidy into the credit process.
135 CAPACITY; the capacity of for-profit and non-profit housing
developers. The role of builders to physically be able to get in and
build housing. 140 > INFRASTRUCTURE & REGULATION; array of basic
requirements from adequate water and sewer hook-ups to things such as
building codes. In terms of regulation there are inclusionary zoning,
ways of stream lining the building permit process. 149 LAWRENCE CONN:
relates experiences with real estate finance in the Maryland area. Tax
exempt bonds allowed the interest rates to be lower creating lower
rents. Tools used to bring the Maryland housing industry into play were
the Rental Housing Production Program. This is a state financed program
which is a very capital intensive program. 193 > Mortgage program
were second loans were coming for rehab and to subsidies interest rates.
A low interest loan go behind a mortgage revenue loan to create a lower
rental base. 198 > State housing insurance fund, this allowed a
commitment of state dollars which did not require an annual commitment
and allowed for leverage of a 10 - 1 ratio. 207 > Partnership

Program, were the state lends money to localities who develop and contribute land to the project. The long term low income character is assured. The use of the local subsidies brings down the states contribution. ~ . 246 ANN HOSKINS: discusses CREDIT. If there is no credit then one might forget the expansion of Housing. States Role is to provide means for private lending. 275 > Community Reinvestment Act, what is the best approach to encourage community reinvestment. Federal CRA was strengthened under FIREA. 350 > Examples of possible state standards. Some banks are forming partnerships with community groups, setting up advisory committees. 358 > Issues in terms of the loan tools that they have; underwriting criteria. Banks are defining new parameters for establishing credit ratings. 377 > Link Deposits, results have not been stellar. Oregon could be a national leader. State has access to large deposits. Governments must look beyond the interest rates. 409 > Fiscal returns. If the state could encourage new financing then you could create economic opportunity and create economic revenues. The tax base will in essence grow, you have new housing, new jobs, new revenue which will go back into the treasury. You might not get as high an interest rate but in the long run you could do as well or better. Must be careful how one administers this so that you are not displacing another loan that may have occurred.

TAPE 21, SIDE A. 001 ANN HOSKINS: con't. Gives example of an investment that provides less of an profit in the short term to provide greater benefits to the community. The city of N.Y. has an elaborate system for determining where they put their money, who they do their checking with, who they do ey do their bonding with, etc. They have weighted this so that 10% of their decision is based on Senate Committee on Business, Tloustng ~ Fmallce February 19, 1991 - Page 3

reinvestment performance. Banks do not have to participate, it is all voluntary. If they do not wish to disclose what their community reinvestment performance and what they are doing to promote the interests of their cities community they don't have to but they will have a 10% less rating.

024 REP. BAUMAN: provides an alternative way of viewing problem. Difficult to quantify when working with an industry that is institutionally cautious. If you move to the quantifying at the positive end but also viewing communities were the housing has deteriorated, what else has suffered as well, you lose the schools and stores. Must look at what you loose other than just housing.

040 HOSKINS: There are several different ways that link deposits are done. Traditionally states have done what is called "Pass through" link deposits were the state is saying; "OK bank A, we will put in your bank x amount and set that at a lower interest rate and loan that out at a lower interest rate. In this case you don't create any new incentives. We like to see competition between banks for the business. 051 > Banks are required under CRA to provide community lending.

073 CHAIR HILL: asks how you apply the criteria to see that loans aren't being made to projects that would have been done anyway.

075 HOSKINS: it is difficult, one thing you can do is a loan to value ratio and also the loan to deposit ratio. 093 REP. REPINE: could we be placing a risk on these lending institutions. 100 HOSKINS: These are good safe loans, they may not yield as great of a profit but they are not loans that have folded. The state must help them manage the risks. 122 > Private Consortia is basically can be either public/private or purely private. Banks have decided that rather than

trying to do this all on their own why not share the risk, share the staffing, share outreach, there are a lot of benefits to pooling together rather than having banks trying to do this on their own.

152 REP. SUNSERI: asks for an example of how these consortia are defraying the cost of money?

158 HOSKINS: There must be some connection with government. When the banks are committing money to Consortium, usually they are lending it to the consortium. In Boston subsidy are shared by the members of the consortia. The consortium is playing the role of risk management not the subsidy role. Government must play the role of providing the mechanism for subsidy.

202 REP. BAUMAN: states that there are banks in other states that have marketed to a community that has expressed an interest in investing their money in a way that shows up as a positive social purpose investment in their community. Do we know enough about these markets, is that market big enough so that it is not just a sell short bank, would it be possible to create an investment tool that would attract that market and then would become a development fund that we could tap for this type of credit. 222 HOSKINS: the 30% figure that she cited early about how people are concerned about were their

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money is going, points to the possibilities that there are people who consider other factors in determining where they are putting their deposits.

239 SEN. KENNEMER: we have a moderate income community were there was an effort to do some large scale low income housing with out regard for the impact of the community. He sees the incentive working against the good of the community in that that is were the least expensive land is and there is no consideration for sharing the responsibility in the larger suburban area. You have school that are running at capacity as well as fire and police running at capacity, with budget measure 10 ratchet down on these services, how do we work with the infrastructure of the communities and how do we share the responsibility and create incentives when in point of fact the incentives aren't in North Clackamas to buy the land were we are developing like crazy and the land is going up on a daily basis it is to buy it in Gladstone were the land is staying relatively stable and comparative cheap. Does not feel that the community can support a housing development that is going to have a 150 units and several hundred kids. 270 HOSKINS: One of the factors not considered is the impact of the local tax system on development decisions and costs. In the New Jersey example it was so expensive to do rehab and development in the inner city where they did have the infrastructure and the land was much cheaper in the suburban areas. There are real adverse incentives in there and those are out of the scope of what direct financing can accomplish but certainly an important issue. 300 > Problem with link deposits initially is that on their own, maybe the most important thing that you are doing by it is setting an example of much larger use of deposits. banks need incentives. Commitment from the CEO of the Banking industry. 310 REP. SUNSERI: not going to create low income housing unless you maintain government subsidy. 335 HOSKINS: feels that there are two ways of viewing

situation. Excess issue, and an affordability issue. CRA is giving it excess, there are cases where you could build housing. The problem isn't just affordability it's that people just can't get credit. This will not work for the people who can only afford \$300 rents. 350 REP. SUNSERI: the only way to keep the land from going up is for government to continue the subsidy. 372 CONN: Maryland had three goals to work with this problem. The states idea wasn't to put money into the fund, but to provide some organization. The second was to be able to use the fund as one source for a project with other state financing and to bring the other various tools together and to create through representational board of directors a state or state housing agency influence on this fund. This was done both with the view to getting different subsidies into the project and to help with the geographical targeting. One of the tools that would be used here is to have a revolving state construction loan and then have the permanent financing come from the fund. That way the banks can come in at a safer level and at a more marketable interest rate once the project is built. Another way is to have State insurance for the banks so that they can be happier with a lower interest rate. Another technique is to combine the federal low income housing tax credit with one of these projects and build the subsidy that way. 415 REP. REPINE: does Oregon have the tools and technicians on staff today and is that the place . These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes. Senate Committee on Business, Housing & Finance February 19, 1991 - Page 5

that we should be looking at to become the driving mechanism to be the "quarter-back" in this state for this program ?

425 CONN: states that he hasn't had the sense with the agency or analysis it but in the general state he would have to say yes. What was noticed in looking at the range of programs, one jumped out; the family housing program which is a mortgage revenue bond multifamily housing program which apparently hasn't had bond issued yet. That is a "lynch pin" to most of Maryland multifamily is getting those bonds out and having the ability to combine those bond with other tools. There are great expenditures here in Oregon and property tax subsidies and rental subsidies that really are more subsidies to existing housing. If you want to produce housing you have to subsidize production. Having direct loan insurance and direct loans and subsidies that are targeted to new housing is very crucial.

TAPE 20, SIDE B.

005 REP. REPINE: How do we deliver down to the rural parts or the other areas of this state to create the communities to be a participant in this type of creative housing programs. What do we tell the city councils that we will put some trust into this program to create a housing program in these community.

022 CONN: there are state programs that provides technical assistance for housing programs, state officials go down and work with the county folks. There are existing state loan programs that work with the localities, the localities contribute land; ie. abandon schools, etc. and that is a piece that brings land costs down.

030 REP. REPINE: how do communities take these restrictions and amenities that they usually request.

042 CHAZDON: there must be an on going process in the state to bring local people into a state level planning mechanism, were they can understand why it is that policies would need to affect all communities and why it is that some of their particular regulations at the local level may be an impediment to affordable housing at the state level. You would have some sort of "Trickle up" to convince them that they are participating and not just given a mandate. 057 CONN: Another way to bring the banks into play is to work on some risk sharing. What has been done on some larger projects is bring the banks in to issue a letter of credit or to come in through an inter-creditor agreement and pool money that way. This way the risk is shared among the various players. Another tool that Maryland has used is private bond insurance. to go out and bring the interest rate down, this is another way to pool bonds from various jurisdictions. HFA is another route have the originating bank originate the loan through a construction loan and have JENNY MAE guaranty and then the certificates can be bought because they are now insured by private banks and other investors. Bridge loan money can be used to get the projects built through the tax credit process where the investors contributions come into the project for a short time and then loans can be purchased by a private bank, sometimes with the state insurance fund. Having a strong housing agency or a department within government looking creatively at the agency and working with mortgage bankers putting some tools together to get each project built.

086 HOSKINS: capacity building, needs assessment, the linking up banks and all of these pieces of

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the puzzle can be done within existing agency.

104 CONN: in Maryland the housing department started as a small agency within the economic development department and grew over time. What that allowed was the ability to coordinate resources. The small cities advisory programs and the lending and the housing insurance were in one building under one set of controls.

109 SEN. JOLIN: great deal of the state is rural. Low buildable supply of land with a high demand for low income housing. Investment and re-investment seem less probable all the time. The state needs to separate the areas and some of those issues and the dynamics there of in some of these locations. It is not just urban, suburban and rural, there are other factors that need to be considered.

133 HOSKINS: believes that the consortium idea is very instrumental in the agricultural dependent rural communities. Because in smaller communities you have smaller banks and banks that don't have as much staff, it is important that you have a powerful state ability to reach out and work with these communities. If you could figure a way to link these banks on a county wide basis you would have some economies that you otherwise not have.

148 CONN: Referring to equity he mentioned the federal low income housing tax credit which is a great source of investor equity. In Maryland the majority of the projects are for profit. To bring these developers into the picture what has been offered is the Bridge loan program. This is the taking a sum of money during the construction

period and gets the project built at which point the investor money can come in and the loan can often be sold.

-- 169 REP. REPINE: you said that the income tax credit program that has been made available to corporation hasn't been well receive in Maryland but asks if there are states were it has been well received ?
171 CONN: Pennsylvania and Connecticut have programs were there is target and very regulated program, the projects must be approved in advance by the development authority. 209 CHAZDON: employee assisted housing can be looked at is by looking at benefits and how it is that regulations at the state level could help employers set aside housing related benefits in addition with pre-taxed benefits. Employers assisted housing is a cutting edge issue at this point so that there aren't many government models to look at. Feels that a process of bringing employers in and having a series of indepth discussion about what it is that would help them provide housing benefits for their employees. 248 ~
SUBSIDIES can be used to increase the affordability of housing. Refers to renewable sources of funds either from the private sector or some creative use of funds in the public sector. Another use of subsidies is to increase and expand the liquidity or utility of existing credit. That is the use of insurance funds and secondary markets. 300HOSKINS: Feels that the sources of revenue that could be pursued are general revenue that some states just appropriate money into their trust fund. Unclaimed property deposit and abandoned property, CDBG, UDAG repayments, land lease revenues, real estate transfer taxes, income from bond surplus, social investors, real estate escrow accounts, mortgage transfer taxes, penalties on inappropriate development, linkage, and Tax expenditures. 1. Property tax deduction from the

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income tax. Possibilities of capping benefit, HARP, Property tax deferral program, which she feels is a wonderful mechanisMthat needs focus.

TAPE 21, SIDE B.

032 REP. BAUMAN: Caution expressed in the conversation about creating an insurance policy. Feels weary of the umbrella of socializing the risk and privatizing the gain. Before we encourage banking investment by putting all of our money in an insurance fund and then saying "'fine, we trust you, do what ever you need to do to make low income housing happen" that we as a government assume a mantel of cation. What is your experience with these insurance pools with : regard to claims made by defaults on residential loans ?

044 CONN: on single family there are a series of default and they are predicted, there are just a few of multi-family projects to have gotten into trouble. None have gone into foreclosure and there haven't been any major claims and an insurance fund has been around for roughly eleven years.

058 SEN. CEASE: believes that there is some connection between housing and affordable housing and customers who buy purchases from shopping centers and create the need for office buildings, so there most be some link there. 065 CONN: alot of it was from the changes in the

tax law. The banks were lending over the value. 081 HOSKINS: states can help make loans affordable and excessable. LIQUIDITY issues, some states are considering pension funds. These are heavily regulated. Economically Targeted investments. How can you link together the goal of trying to get a good return with the goal of trying to promote some of these social goals. These ETI's provide both the market rate of return and a public benefit. These ETI programs purchase mortgage backed securities from the secondary markets. Blended rates are being used in the NY area.

153 CHAZDON: Federal subsidies programs: HUD sends money to local governments and local housing authorities. National Affordable Housing ACT money is to be targeted to affordable housing issues. Community Service Block Grants passes money through the department of Human resources often to community action programs at the local level. These programs emphasize the link between housing and social services Linked three ways; between Housing. Economic Development and Social Services. Must have shared apparatus. Lack of coordination in the housing agencies. Must think of ways to coordinate what is currently going on between agencies. 190 > NAHA linked by the Home Program. There will be a need for the state to match this money. Different matches available for different types of projects. Community based developers need to be seen as a part of the housing picture. 4 -1 for rental assistance, 4 - 1 for moderate rehab., 3 - 1 for substantial rehab. and 2 - 1 for new construction. 265 > CAPACITY; how to get this money to the streets. There is a great deal of experience within the economic development department in technical assistance for small businesses. Many legislatures have instituted basic capacity building grant programs, some of these are loan programs which are general funds for community based developers. Some States have project specific grants and loans for community based developers. Create project that combine the expertise of the home builders and the non-profit housing developers so that the expertise of the home builders can be shared with the non-profit developers. Perhaps these could be projects that involve some market rate as well as below market rate housing so that the home builders would

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not have to lose their profit in the process.

332 HOSKINS: Although we talk about non-profit community developers, these developers still have real costs. One of the mistakes that states have made is assuming that this is free assistance. It generally cheaper assistance but it is not free. Some states are using their trust funds to provide assistance with developers fee, grants for operating budgets, recoverable grants for costs like market studies, legal services, financial consultants, feasibility studies. Community developers bring is a link to the community. There is going to be a cost involved.

355 REP. REPINE: asks if the largest stumbling aspect of non-profit participation to the level of professionalism is this lack of technical abilities ?

364 HOSKINS: it is hard to comment on, the capacity exists here. Had a tour by the Reach CDC which was as advanced as any she has seen

anywhere.

365 CONN: two avenues for bringing in expertise in to the non-profit builders. One arises from charities, because they are so wide ranging through out the churches and you have volunteers with various expertise able to put alot of time in. Another is retired developers.

394 HOSKINS: Another thing to add to this is the role of the national intermediaries. Few that are good are the Enterprise Foundation, The National Housing Services just to name a few. The federal government is very excited about this idea right now so there has been money given to all of these groups to reach out and provide more technical assistance.

430 CONN: moves on to the discussion of INFRASTRUCTURE and REGULATION. One program that Maryland has used is an Infrastructure Financing Program which doesn't cost the state money but allows the local jurisdictions to go out to the market and pool their bonds. Because it flows from the state housing agency there is some coordination is developing infrastructure before a housing project. The program purchases bond insurance to get a lower interest rate of the pool and that get built in.

TAPE 22, SIDE A

001 CONN: con't. The bond programs for environmental and water supply and those certain issues but the targeting for community and development and through the housing agency here allows for some coordination to link to some new housing developments. 014 CHAZDON: In terms of regulation there's a few things I would like to talk about briefly. First of them is inclusionary zoning. These are state laws in certain cases that set objectives for affordable and perspective market rate developments. New Jersey, California and Florida all have inclusionary zoning laws. California provides density bonuses and incentive to developers that reserve units with in there development for low market rate housing. There are some materials in your briefing book (See Exhibit B) about inclusionary zoning what I understand there are localities in Oregon that are doing these kinds of programs linking affordable housing to development efforts. I would be interest to know from you what you thing of those kinds of possibilities as an option. If your thinking the state of land use would want to make that connection with affordable housing as well. 029 ~ A key area of regulation is to stream line the process of land use regulation and permit

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processing. In the packet there is example of New Jerseys permit process facilitation act. Both Connecticut and New Jersey have looked very seriously at the cost that are forced on home builders by regulatory processes that basically delay the construction of housing and increase the cost of the housing in result. In New Jersey this bill actually sets up a case management procedure akin to what is done with foster care families to reunite them with their children it's focusing on one families needs in this case it's focusing with one developers needs how to get this thing built. It's assigning a case manager to that development project at the state level. 042 > Employer assisted housing was brought up earlier. The federal and state government can

find ways to remove the barriers that would prevent employers from offering benefits such as housing or housing related benefits to their workers. This is an idea that's in it's very early stages so there's alot of thinking that needs to be done. I don't have a set of clear policy goals that have even been put out in the paper by David Schwartz in your packet he does identify some goals in the end for government including adding housing to a list of pre taxed benefits that are available to workers. The idea is a good one that it can link affordable housing to economic development issues and make sure that if people are living in community where the housing is to expensive given that they make five dollars an hour there could be some way to insure that there is a link there that I hear some community in this state where there's touriSMfor example. People who work and earn five dollars an hour don't have sufficient income to afford housing in that community. Employer assisted housing maybe some way to insure that if your going bring to work in that community that they have affordable housing that's going to be in the interest of any employer as well as the community at large.

077 CHAIR HILL: enters that the committee move to the discussion and exchange period of the hearing. 081 REP.RESENTATIVE BELL: in getting the local annuities involved and motivated and it would seem obvious that we would deal with areas that already have the interest first as a priority or is that the best way to go? Hopefully the areas have already created the interest. Get the first projects and then that may stimulate others areas or there's some systems by which areas haven't shown interest in the past which are becoming interested. 090 CHAZDON: I would be real interested to know how your department of economic development for example goes out and targets small business assistance through the university system or through community colleges and one way to reach out into all areas of the state is to use those agency that have member organizations through out the state. Yes, I think if a community has alot of interest and motivation to do affordable housing they should be awarded and that will help other communities that we want to get something done but we have to show some initiative. It's important to involve localities in planning at the state level. Especially when your talking about housing and things that effect community so much. If you involved representative of local government or local developer in any sort of planning process as part of the National Affordable Housing Act the state has to come up with a strategic plan for housing. As part of this process, maybe through public hearing around the state you could encourage the kind of input from small communities through out the state as well as urban neigHB orhood that you might need to get a better feel of how things can work. If there's opposition in the rural areas for state programs coming in that's a way to get it aired early in the process so they don't feel like these new programs are being imposed on them. 113 HOSKINS: In New Jersey I used to evaluate alot of economic development programs and was ~ . . . These minutes contain materials which paraphrase and/or summarize sta emenb made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes. Senate Committee on Business, Housing & Finance February 19,1991- Page 10

really discouraged because alot of programs are set up to be very reactive. You'll have application process, the state isn't really going out and trying find projects I guess you have to have a project that come to you. So you would find the same cities getting all the money because - they have a couple of good staff that knew the system and you had to put it through and the places that needed the help the most weren't getting it. I think there has got to be a balance, there's so much that has to be done that it makes alot of sense to get some success

up front and to work for some of the groups that are organized and learn from that. I think that if you're talking about all of the rural communities and the areas that don't have a capacity right now you're going to have to think of some out reach mechanisms. To first of all let them know the resources that are available and what the process is or else you're going find you'll have a program that nobody's participating in and won't be because there's isn't need. You're probably going to need a couple of different approaches.

128 REP. BELL: I guess the reason I asked that question is that I see as you mentioned the various interest are the large communities and yet there could come about an attitude were the rural people could think that the larger communities get all of the money so why try. Is it important for us to target a rural area and spend a lot of time to development them until they show some success that might be generated to their peers.

147 CONN: states that another technique is to in bring local officials on the state housing council. In Maryland there is a Housing Policy Commission which is made up of local officials, bankers, developers and the gamut, this brings in from the beginning the local officials so that they see project get done from start to finish. This gives them the expertise to get their own project done.

155 REP. SHIBLEY: does it make scene to have a gateway for information regarding the housing issue.

176 CONN: in Maryland there is a Housing department where you can literally bring to the table the various experts. The some same agency allocates the federal housing tax credit as issues the mortgage bonds. This enables them to attack a project and bring in the various pieces to help the developer through the process.

185 HOSKINS: believes necessary to bring this capacity to the state level and you also going to want it at the local level. Local groups are generally more affected. In the state of Maine, it is a rural model. A group called Coastal Enterprises which has national claim for both pooling the financial resources and to provide the technical assistance to the rural communities.

210 REP. SHIBLEY: market system left to their own devises hasn't worked in these rural communities. How can we increase the trust level between the private and public sector ?

235 CONN: at a project by project basis, through the process the players get to trust each other. The third player is the locality. Issuing bond via a state housing authority doesn't get you down to those rent. Subsidies are needed from various sources.

258 HOSKINS: there are lot of market failures. Private sector is there to make a profit. This is their incentive. One reasons she pushes community participation is because it is a check on the system. If one considers subsidies, you have to extract real commitments on the other side. Part of that has to do with the decision makers at the table.

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293 REP. BAUMAN: our tools are not sufficient to measure the goals. No way to know if there is a multiplier effect. Need to develop a tool for this type of measurement. Opportunity is low and on the low income housing side we are starting to see a build up of forces. We need to invent something to measure our success. 388 CHAIR HILL: in the Economic development area we throw around a lot of money. It seems that any time something mentions low income we have to be real careful. There is always a continuing question in the economic development area as to are we really doing some good. We think we are so we proceed. Why can't we look at housing the same way ?

TAPE 23, SIDE A

001 CHAIR HILL: con't. If we can put money in economic development we can put money in housing which to me is economic development.
010 REP. BELL: discusses the need to development social conscience among private industry. Might pursue these groups who are outside the state to come in and provide information and awareness as to what can and needs to be done. 032 REP. SHIBLEY: wonders if some of the tools that we use in economic development, whether it be tax increment financing or an exchange for a business coming in from out of state, might some of these tools be just as applicable to housing. 035 CHAIR HILL: the link between economic development department and things that are done in housing is very important. 049 HOSKINS: believes that the investment council does have a secondary market for small business loans. Those are usually more risky than housing loans. The national feeling is that it is OK to invest in economic development because it is creating jobs which is usually not quantified. Housing is much more scrutinized particularly for low income people. 059 CHAIR HILL: historically the feds have played such a large role in housing that it is a new phenomena for us to be getting involved in. 064 CHAZDON: it is a process that is going on in every state. So much depends on the structure of the agencies. There are no clear answers as to the role of the state. 075 SEN. COHEN: structures are in place it more depends on the individuals who are there that want to make things happen. How do you make these moderate cost housing pencil out. Must discuss long term solutions to generating housing stock. 110 HOSKINS: Subsidy is what you can do particularly by using leverage to encourage your investment by banks, that is a large part of the debt. You could made this affordable by subsidizing the interest rates, you could put money directly into a project so that you need less debt, but you need to have the money. 132 REP. REPINE: would like to know how not to drag local governments to the table to deal with their aspects of involvement in participating in low income but were they would agreeably

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negotiate their sweat equity to a program.

162 CONN: many communities in their state loan programs is require that for every project what is called a local contribution. Either land donated, a local property tax abatement or a release from some of the code restrictions. 170 REP. REPINE: many cases the developers are held accountable for the failure of the project when in fact it is a local government who said that r we aren't player's". 195 REP.

SHIBLEY: faced with a district that is faced with bringing neighborhood which was recently annexed to the city of Portland. They are faced with bringing up everything to city code, ie. curbs, street lights, sewers, etc. This is an exorbitant amount of money for this low income area. They are concerned with gentrification after they pay for the infrastructure costs. What can happen to stop this from happening. 210 HOSKINS: Land trusts in Vermont which basically tries to deal with the appreciation of the land, not the improvements of the homes. This might make some sense in this area if what you are trying to do is keep it affordable and not have those improvements just don't make it escalate. 240 CHAIR HILL: thanks all members and panelists and ADJOURNS the meeting at 10:05 a.m.

Prepared by Reviewed by

Stuart Farmer Carol Kelsey Committee Assistant
Administrator Committee

EXHIBIT LOG:

A - Panelist Background Sheet - Staff - 1 Page
B - Housing Policy Options for the 90's - Scott Chazdon - 94 Pages

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