

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.

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

February 21, 1991Hearing Room D 8:00 a.m.Tape 29 - 31

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

Sen. Jim Hill, Chair Sen. Peg Jolin, Vice-Chair Sen. Jane Cease Sen. Joyce Cohen Sen. Bill Kennemer

STAFF PRESENT: Janet McComb, Committee Administrator Carol Kelsey, Committee Administrator Kimberly Burt, Committee Assistant Stuart Farmer, Committee Assistant

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TAPE 29, SIDE A

004 CHAIR REPINE: Calls the hearing to order. (8:07 a.m)

INFORMATIONAL HEARING Witnesses:Scott Chazdon, National Conference of State Legislatures, (NCSL) Lynn Schoessler, Oregon Housing Agency John Vanlandingham, Eugene Planning Commission, NOAH Board Member Rep. Bill Dwyer, House District 42 Steve Smith, Deputy State Treasurer

015 SCOTT CHAZDON, NATIONAL CONFERENCE OF STATE LEGISLATURES: Submits and summarizes written testimony, (EXHIBIT A).

I've been involved in testimony, bringing in speakers and presenting policy options; my role here is limited and I hope that in time here I can begin to see a process unfolding of setting priorities and moving ahead towards policy goals.

047 CHAZDON: Summarizes written testimony regarding existing resources, see Exhibit A.

058 CHAZDON: Elements of an affordable housing puzzle present possible obstacles to a state affordable housing policy, see Exhibit A.

Goals and values are necessary in setting housing priorities; there

needs to be increased state involvement in housing, see Exhibit A.

Short term goals need to feed into long term goals.

090 CHAZDON: Summarizes written testimony regarding key concerns, subsidy and capacity building.

Discusses trust funds and options for their use, see Exhibit A.

125 CHAZDON: Discusses options for funding trust funds, see Exhibit A.

Trust funds can be tied into capacity building.

155 CHAZDON: There is a link between economic development and housing planning; participation needs to be encouraged.

Coordination of existing housing programs in the state.

Employer assisted housing is an issue whose time has come for the State of Oregon; there aren't a lot of clear policy options out there, but many employers have gone this way and perhaps we could ask those employers what encouraged them.

190 CHAZDON: Many of the ideas I have presented aren't new to you; what may be the most important point of my visit is to provide you with a framework with which to work through the session.

205 CHAZDON: NCSL is available to put in touch with experts as well as offer informative material to you.

215 SEN. COHEN: I understand that in Lincoln City there is a large retail development that employs 300 - 400 people and there is a less than 1% vacancy rate in that town.

How do we sensitize local governments who approve those kinds of developments into thinking this through?

CHAZDON: I would check to see if they had worked with economic development and if they haven't it may be time for a state/local government partnership to look at these issues.

SEN. COHEN: Are we to ask every local government to talk to the state before developing?

CHAZDON: That is a possibility; there have been states that have required an affordable housing element in their local plans.

270 SEN. COHEN: We have that plan; we are talking now about moving toward something being required up front and that could discourage growth in the community.

288 LYNN SCHOESSLER, OREGON HOUSING AGENCY: That is something to be considered in HB 2183; the Lincoln City project has resulted in people commuting far distances to be employed.

HB 2183 requires that as a community thinks about such development they consider the anticipated employment, how many available workers are in the community presently, what would be the net in-migration, how many vacancies are there in rental apartments and how many vacant houses for sale.

HB 2183 doesn't go so far as to say they have to do anything about it, but it does get the question on the table.

REP. SUNSERI: If we had a public employees account with funds in it, why couldn't we use that in creating something workable in the community?

It would be an opportunity to invest and make money.

390 REP. BELL: Could a series of small business people put together a CDC and work through that to provide low income housing for employees?

CHAZDON: I can't answer that, but there are people in the room that can.

415 REP. BAUMAN: We have a substantial deduction for property tax from income tax; has that been used in other states besides New Jersey?

If we stopped offering property tax deductions the revenue gain, including the effect of Measure 5, would be \$57.5 million per year.

Another idea is to cap the amount that is deductible at \$2,000; in one year the revenue gain would be \$49.9 million.

470 REP. BAUMAN: If we used an income test based on adjusted gross income and allowed full itemization for adjusted gross incomes below \$60,000 and no deduction other wise, the revenue gain would be \$38.3 million in the year of 1992 - 1993.

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046 REP. BAUMAN: We could do away with the property tax deduction and create a benefit deduction for creation of housing.

065 SEN. HILL: Could you elaborate on what Colgate-Palmolive is doing.

CHAZDON: I will mail you the report; there is a legislator in New Jersey who has complied information on this and I could put you in touch with him.

That model has an insurance of down payment to the lender or a loan of the down payment money by the company to a family to meet a home ownership requirement.

SEN. HILL: What encouraged them to do this?

SCHOESSLER: The motivation was to maintain their work force.

135 CHAIR REPINE: The long range, short range concept; when we frame this plan we need to focus on that.

What is listed under "other policy directions" seem like good short term goals.

CHAZDON: Those are both long and short term goals; you want to get benefits in the short term, but it could yield long term benefits as well.

I see the "key concerns" listed as short term needs; see Exhibit A.

175 REP. BELL: Are there models for planning for movement of individuals; providing a plan so that people move toward home ownership in a logical way?

CHAZDON: That hasn't been as much of an element, but there are down payment assistance plans; that is a general goal.

Connecticut has an excellent state housing plan and I will send that to you.

210 REP. BELL: Is there a model for getting people off the street and progressively moving upward?

CHAZDON: Many transitional housing programs do a good job of getting people out of temporary shelter into 6 - 12 month housing arrangement; once people are in affordable rental units I haven't seen any case management.

REP. SHIBLEY: How does New York City approach housing, with co-op's?

CHAZDON: There is information on co-ops and land trusts as well, which is a similar idea and I will send you information on that.

SEN. JOLIN: While co-op housing may be an option, there are some problems involved with co-op housing and we should be aware of those.

255 REP. BELL: Should we be looking at requiring every area of housing to include low income housing so they are spread out and not isolated?

CHAZDON: Zoning doesn't need to separate income levels; in Maryland there is an example of mixed use multi-family housing and I will send you information on that.

285 CHAIR REPINE: My goal and hope is that through this assembly we are able to produce a plan that will be effective for years to come.

SEN. HILL: NCSL has emphasized that they will be available to us; this has been a good opportunity to bring the House and Senate together to look at this.

This has laid the framework and I am confident that we can take it from here.

308 CHAIR REPINE: Recesses hearing. (8:58 a.m.)

310 CHAIR REPINE: Calls the hearing back to order. (9:10 a.m.)

315 JANET MCCOMB, COMMITTEE ADMINISTRATOR, HOUSE HOUSING AND URBAN DEVELOPMENT: Introduces John Vanlandingham, Legal Aid attorney in Eugene.

Submits informative material describing the elements for creating an affordable housing project, (EXHIBIT B).

335 JOHN VANLANDINGHAM, EUGENE PLANNING COMMISSION, NOAH BOARD MEMBER: Submits informative material, (EXHIBIT C).

355 REP. SUNSERI: Have you had experience building and working with people?

VANLANDINGHAM: No, only talking to them and learning what they know and I think I've learned quite a bit.

370 VANLANDINGHAM: I have submitted a funding variables list and a housing development formula, see Exhibit C.

Summarizes informative material, see Exhibit C.

420 VANLANDINGHAM: Summarizing informative material containing necessary steps for planning.

450 VANLANDINGHAM: Summarizing funding packages, see Exhibit C.

TAPE 29, SIDE B

040 REP. SUNSERI: How much would the end product of a three bedroom newly constructed apartment cost the individual?

VANLANDINGHAM: Private industry is building those and coming on line with \$550 to \$650 costs per month to rent; that isn't low income housing.

055 VANLANDINGHAM: Summarizes funding variables for affordable housing, see Exhibit C.

085 VANLANDINGHAM: I didn't include block grant programs; that money can be used as equity, although it does have strings attached, it may be the best source for buying land.

CHAIR REPINE: How do entitlement programs work?

VANLANDINGHAM: If you use block grant money to buy land then you aren't paying wages; we are acquiring land with block grant money hoping to use non-block grant money to build projects.

115 REP. BILL DWYER, HOUSE DISTRICT 42: There are stumbling blocks that developers go through because of zoning; there are some parcels that need to be re-zoned.

In my district there is a process to change zoning to provide affordable housing for seniors, it is a private venture and they have run into problems with re-zoning.

145 REP. DWYER: In regards to "in-fill" bill, certain amount of lots were to be provided for modular or manufactured type homes, but now criteria for lot sizes is being changed leaving lots too small for mobile homes.

We require governments to do things and they find ways out of it.

We need to have an integral part of our program be home ownership; creating generations of renters shouldn't be our focus.

185 CHAIR REPINE: This program is an example of what this committee and communities are trying to accomplish, but there is a flaw in requiring governments to agree that zoning changes are proper.

215 REP. DWYER: This inability to create ownership and gain equity is growing and it affects all aspects of society.

We should focus on making it easier for those who do have the ability.

You have to recognize that when we give an opportunity for someone to go from renting to home ownership there are advantages that renters don't have.

There are a lot of people who don't have advantages such as property tax deductions.

275 REP. SUNSERI: Only the people in the private sector are coming here with ideas for rentals under \$300, which is affordable; we need to think about the fact that we are regulating ourselves to death.

REP. DWYER: We have to be more creative in our approach; we need alternatives.

There are segments of society that the private sector won't reach, it is our duty to do that.

308 REP. SUNSERI: I don't see the suggestions we have lowering rent by more than \$100 per month and that isn't enough.

Until we address all the other costs of permits, water meters, etcetera, this won't help.

REP. DWYER: We do have a tremendous resource in the land base; the trouble as I see it is that each part of government expects another level of government to solve the problems.

Unless another level of government gives some kind of incentive or tax break, then local governments aren't willing to do it.

343 SEN. HILL: This isn't going to be easy; we have people who will talk about what needs to be done and what our obstacles are.

Regulation may be a problem, but this comes down to being a political issue; we are going to try to look at some projects, see what their problems are and overcome those, but we will need to work together.

SEN. HILL: I am worried about how we get local governments to participate.

SEN. COHEN: Some of my communities, if left to their own control, wouldn't have any low income housing, because the market is there for \$900 - \$1800 per month rentals.

400 REP. JOHNSON: As a group we shouldn't just think about creating new housing, but also how to assist people in keeping their homes.

REP. DWYER: A lot of people on the streets did have their own homes at one time and were negatively impacted by the economy and things that are beyond their control.

The most fundamental thing government can provide people is shelter first.

445 REP. BELL: Does this state offer any help to people who are in threat of losing their home?

REP. DWYER: I am aware of one or two programs through Adult and Family Services where they might make a mortgage payment or provide for utilities; generally when people own houses they have equity and it is hard to foreclose unless it is a land sale contract.

485 SEN. CEASE: There are a number of programs, most of them public; there is the home owner and renter refund program that is based on income, there is the senior deferral program for property taxes, unemployment and public assistance.

TAPE 30, SIDE B

037 SEN. CEASE: Most programs are operated by government and that means that there is a role that the government has to play even if people are participating in an anti-government way.

055 VANLANDINGHAM: Eugene, Springfield and Portland have rehabilitation loan programs for homeowners and OHA has a program under consideration this session that would provide money for prevention and keeping people in their homes.

060 VANLANDINGHAM: Returns to sources of equity, see Exhibit C.

It is cheaper for local governments to rehabilitate than build.

NOAH is a funding source, see Exhibit C.

085 VANLANDINGHAM: Summarizes sources of reduced rate mortgage money, see Exhibit C.

Last session you authorized the treasurer to sell HECFA bonds at 8% or 8.5%; the federal home loan bank can make loans and Eugene has a commitment for one.

Those loans are competitive and limited; only two in the last cycle were awarded to Oregon.

CHAIR REPINE: What is the criteria?

105 SCHOESSLER: They do have open competition; in the past they were liberal in assignment of money, but as time goes on they are looking at providing the minimal amount of money while still making projects feasible.

Salem was one of the first rounds to be funded and they were well benefitted.

120 VANLANDINGHAM: Summarizes sources of income, see Exhibit C.

Section 8 and rent subsidy certificates attached to new projects are a possibility; HUD has section 202 loans with rent subsidies attached to units.

140 VANLANDINGHAM: The fourth source of income may be the pool rental deposit interest fund and the final category involves methods of limiting operating or construction costs, see Exhibit C.

I didn't list density, but obviously the more units on a site the more affordable; people don't want density, the private sector isn't building to full density now.

180 VANLANDINGHAM: For any project the income and the equity have to cover the costs.

Gives examples and summarizes formulas on page 1, see Exhibit C.

252 SEN. HILL: What do you need from us?

VANLANDINGHAM: Another source of equity; we need improvements to the lenders tax credit and we need a secondary market.

SCHOESSLER: If we could get low income housing tax credits and combine that with the Oregon Lenders Tax Credit we could get close to having low income rentals for about \$300 per month.

We still need about \$3000 - \$5000 dollars a unit to get them in place and that is where the subsidy has to come in.

315 REP. SHIBLEY: For households between 80% - 100% of the median income there are no resources available; do you have suggestions for filling in that gap?

SCHOESSLER: As you look at those incomes, they can probably get into the housing market.

Typically the households we help are somewhere between 75% and 80% of the median income which is about a \$24,000 per year.

353 SEN. HILL: It is important to have dedication; I believe that there are people in every community that we could tap in to get the "hands on" experience.

I'd like to thank Vanlandingham for his efforts.

405 CAROL KELSEY, COMMITTEE ADMINISTRATOR, SENATE BUSINESS, FINANCE AND HOUSING: The resources that exist in this commercial bank consortia are tremendous and there is commitment on their part to do things in their part of the market.

This consortia has a credit line of \$12.5 million and if it is to continue, that needs to be a revolving line of credit.

If they have no market in which they can sell these secondary loans, they will exhaust their line of credit and we will again be at the stale mate component.

442 KELSEY: There are two different kinds of secondary markets; secondary markets in which loans are made in excess of the normal 80% and then there are loans that are less than 80%, which under normal banking capacities don't have to have insurance.

455 STEVE SMITH, DEPUTY STATE TREASURER: For the record, I will touch on what the Treasurer has been doing with housing.

Two and one half years ago we started doing research on what is happening in housing, especially with pension fund investments and what segments were missing in Oregon that other states do have.

484 SMITH: Through that study we found three areas that Oregon needed to develop, one of which is a non-profit entity separate from state

government.

TAPE 31, SIDE A

027 SMITH: The non-profit has to have credibility with the financial community; that non-profit is now in place, NOAH.

Another law put into effect last session set up an authority to allow non-profits to issue debt; HECFA.

HECFA stands for things other than housing.

042 SMITH: The other piece of the puzzle was some sort of insurance fund and that hasn't been done.

We have participated in the secondary market for about ten years and have about \$500 million that we have bought in the commercial loan area; \$50 million of that is in housing.

061 SMITH: We do buy mortgages and one piece of that is insurance and we are in the process of working to see if we can put some sort of insurance fund together.

We needed the infrastructure first; the State Treasury has no desire to be the State Housing Agency, but can be a player.

100 REP. BAUMAN: After all the calculations it looks like the annual amount of insurance paid into a program, if there were a \$5 million insurance fund, would be about \$800,000 and that is a fairly good rate of return.

Why couldn't we put a \$5 million fund aside and secure the investment in housing supported by the two portions of the program you have completed, NOAH and HECFA?

138 SMITH: The only program I have looked at is New York's state insurance program, but it's funding source is much different.

We haven't taken the time to get at the issue of insurance, although we know it is needed.

REP. BAUMAN: Instead of sending money to the FHA insurance program we could keep it and set up our own insurance.

SEN. COHEN: Money must be made.

REP. BAUMAN: We would be creating the secondary market.

177 SEN. COHEN: The secondary market is quite different.

REP. BAUMAN: We are talking about a fund to be the risk pool for an insurance mechanism that doesn't experience a great deal of loss.

If we transferred funds to the state and held the insurance pool in the state, we could encourage more business in the state, allowing the treasurer to access the secondary market with these loans and fund NOAH through more than one cycle.

199 SMITH: I'm not sure the State Treasurer should be in the insurance business, but we can be a player in putting a program together, but you

have to decide where this belongs.

We already have state insurance programs such as SAIF.

REP. BAUMAN: That may be a poor example.

211 SMITH: It may not be appropriate to have the State Treasury as an insurance program; we have examples of where that fits within state government already and from a policy standpoint that is something that would need some thought.

REP. BAUMAN: I would appreciate you discussing this with the senate committee administrator.

225 SMITH: We need dollars and procedures for administration of the insurance.

230 CHAIR REPINE: The senate chair and myself will take the documents that we have talked about today and will divide up what aspect the house and senate will work on so that each side of the assembly isn't working on the same issues.

The hearing is adjourned. (10:30 a.m.)

Submitted by: Reviewed by:

Kimberly Burt Janet McComb Assistant Administrator

EXHIBIT SUMMARY:

A - Written testimony and informative material submitted by CHAZDON, pp 5
B - Informative material submitted by STAFF, pp 3
C - Informative material submitted by VANLANDINGHAM, pp 4