

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

April 2, 1991Hearing Room D 8:00 a.m.Tape 55 - 57

MEMBERS PRESENT:Rep. Bob Repine, Chair Rep. Judy Bauman, Vice-Chair Rep. Marie Bell Rep. Rod Johnson Rep. Gail Shibley Rep. Ron Sunseri

MEMBERS EXCUSED:Rep. Dave McTeague

STAFF PRESENT: Janet McComb, Committee Administrator Kimberly Burt, Committee Assistant

MEASURES CONSIDERED: HB 2523(PUB) HB 3467(PUB)

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TAPE 55, SIDE A

005 CHAIR REPINE: Calls the hearing to order. (8:03 a.m.)

Roll Call: Representatives Sunseri & Repine answer "present".

CHAIR REPINE: We will recess to wait for our first witness.

REP. BELL arrives. (8:05 a.m.)

REP. JOHNSON arrives. (8:06 a.m.)

PUBLIC HEARING ON HB 2523 Witnesses:Rep. Bill Dwyer, House District 42 Steven Westfall, Oregon Housing Agency Peter Grundfossen, Association of Oregon Housing Authorities

Staff submits SMS and revenue impact statement, (EXHIBIT A).

015 REP. BILL DWYER, HOUSE DISTRICT 42: This is an effort to expand the concept of homeownership.

REP. SHIBLEY arrives. (8:07 a.m.)

DWYER: We need to allow people to acquire equity in property and this bill allows projects to be designed utilizing lender tax credits, transferring titles from non-profits to qualified low income people.

The "HELP" program is a home equity lease program where cities or non-profits could build a cluster of homes, financing them through an institution that would receive tax credits.

"HELP" stands for Homes Equity Lease Program.

REP. SHIBLEY leaves. (8:09 a.m.)

040 REP. DWYER: The people would lease the property, eventually owning the property, paying all the principal, interest and taxes up front with the exception of the first three years of taxes, which the city would forgive.

The tax amount would go into an equity account for the person so that at then end of three years there would be three to four thousand dollars and that would be used as a down payment to acquire the equity interest and then the people start paying taxes.

055 REP. DWYER: This plan would allow payments to continue to go down as they buy the land on a ten year contract and the dwelling on a twenty year contract.

It is designed for stability and success; we need this bill to do these kinds of programs.

075 REP. SUNSERI: Who will finance this?

REP. DWYER: The banks; the way this works now is that it allows the bank to write off the interest 4% below market for ten years and also allows the loans to be sold on the secondary market.

REP. BAUMAN: How do the property taxes get paid?

REP. DWYER: They are in the payments; there is no deferral.

REP. JOHNSON: Non-profits can lease tax exempt housing to tenants?

REP. DWYER: Yes; the Housing Authority will do the screening and for the first three years they will actually be tenants as they will be signing into a lease option agreement.

Submits informative material on HB 3467, (EXHIBIT B).

177 STEVEN WESTFALL, OREGON HOUSING AGENCY: HB 2523 does provide for the opportunity of homeownership; it sounds like it would work for a good portion of the population that is eligible.

The level of monitoring is unclear and we would want that clarified.

210 PETER GRUNDFOSSEN, ASSOCIATION OF OREGON HOUSING AUTHORITIES: Testifies in favor of HB 2523.

We think this could be useful in assisting some low income families to get into housing; I don't see that it can conflict with HB 3467 which is essential for the future of low income housing in the state.

PUBLIC HEARING ON HB 3467 Witnesses: Steven Westfall, Oregon Housing Agency, (OHA) Steven Gordon, Oregon Housing Agency, (OHA) Dee Walsh, REACH, Community Development Frank Brawner, Oregon Bankers' Association Louise Anderson, Resource Manager, Portland Development Commission Peter

Grundfossen, Association of Oregon Housing Authorities

Staff submits SMS and revenue impact statement, (EXHIBIT C).

240 STEVEN WESTFALL, OREGON HOUSING AGENCY: Submits written testimony in support of HB 3467 and informative material on tax credits, (EXHIBIT D).

Submits amendments to HB 3467, see (Exhibit D).

440 WESTFALL: Describing amendments #1, (blue).

REP. JOHNSON: I'm confused by the language saying that a "project" can receive a loan.

WESTFALL: That has been brought up before; we are able to administer the program as it is so we have gotten away from that.

REP. JOHNSON: Should it read, on line 9, "by the lending institution to a non-profit corporation, limited partnership, or local government entity" so that we identify who can actually receive a loan?

TAPE 56, SIDE A

043 WESTFALL: There is a project in Astoria that would assist; as long as we use the term "project" it has been broad enough.

"Sponsored project provider" would work.

REP. JOHNSON: That isn't a legal entity.

WESTFALL: A "legal entity acting as a sponsor" then.

095 REP. JOHNSON: Why is it essential that limited partnerships be included?

WESTFALL: The federal government provides a tax credit for non-profits and the only way they can use it is by syndicating that tax credit and selling it off to tax payers and when they syndicate that tax credit they enter into a limited partnership form of arrangement.

By definition a limited partnership is a for-profit entity so we weren't able to allow a non-profit or governmental entity to use the program if they entered into a limited partnership.

REP. SHIBLEY returns. (8:42 a.m.)

115 REP. JOHNSON: I am concerned about for-profits being the recipients of loans.

WESTFALL: In order to get the initial loan they have to be the owner of the land; buying land takes money and non-profits have a hard time with that.

If we could make this more clear it would help.

135 REP. BELL: Would it be more clear if line 9 read, "by the lending institution for a project that is certified by the Housing Agency and is sponsored by..." then insert the legal entities?

REP. BAUMAN: Or "by the lending institution to a limited partnership, a non-profit corporation or a local government entity for a project that is certified by the Housing Agency"; we want to be able to track the tax credit to the project certified by the Housing Agency.

155 STEVE GORDON, OREGON HOUSING AGENCY, (OHA): The entities we have wouldn't include individuals.

There are a number of individuals who would provide low income housing but aren't able to get that tax credit now.

175 WESTFALL: The second amendment, (yellow), is where we move some of the language to line 6 so that the lending institution can sell the tax credits and the loan.

215 REP. JOHNSON: Do you intend to allow anyone other than a commercial lending institution to be the first recipient of this tax credit?

WESTFALL: Initially it would have to be a qualified lending institution.

The loan does need to be certified by the Housing Agency; that is one safe guard, but if you want the qualified buyer to be more clear, it can be done here or in administrative rules.

255 WESTFALL: Amendment #3, (green); on line 16 on page 2, we suggest we include the word "refinance".

REP. BAUMAN: At some point I want an explanation of how the agency will track this to assure that there is transfer of savings to the ultimate user.

WESTFALL: The bill is based on the belief is that non-profits and housing authorities are trustworthy and will pass this on; there is no provision to monitor beyond that.

The tenants have the right to bring action against the non-profits; either a tenant or a potential tenant and that is in our administrative rules, so there are some safe guards.

330 REP. BAUMAN: I am concerned that our resource be focused on providing low income housing.

WESTFALL: I do believe that if a non-profit entity found extra money they would use it for other services.

The largest majority of units will be subject to monitoring, but others have high credibility and won't need monitoring.

450 REP. BELL: My concern is that the projects stay focused where they are intended to be.

TAPE 55, SIDE B

040 WESTFALL: Amendment #5, (white); lending institutions want flexibility to service these loans or not have to service these loans, so we would like to insert #5, see (Exhibit D).

WESTFALL: The final amendment needs to be inserted somewhere; we would like to make this retroactive so that loans made last year have this

same flexibility.

REP. JOHNSON: What is a household?

WESTFALL: It probably should be cleaned up; we are talking about a homeowner.

REP. JOHNSON: Is this for families with kids?

WESTFALL: Any adult.

105 REP. BAUMAN: We are looking at any entity that is certified; I don't see where an employer interested in doing employer assisted housing would be eligible.

We should either make a laundry list or add "other entities".

WESTFALL: The idea of a sponsored project provider could easily be an employer; what you are suggesting would give us that flexibility.

REP. JOHNSON: This program deals with lending institutions and measuring the difference between their normal loan rate and their discounted loan rate, so there is two things you can measure.

WESTFALL: An employer would still have to go to the bank for a loan in order to use this; this program always works with a bank or a qualified lending institution making a loan and getting a lower interest rate subsidized by the tax credit.

The bank would pass on the lower interest rate to the employer so that they could provide a lower cost housing to their employee, or the employer could co-sign the loan so the employee could get the lower rate.

198 REP. BELL: We aren't talking about large corporations wanting big condos for big executives are we?

REP. BAUMAN: No.

WESTFALL: This says 80% of median or less; at the administrative rule level we can assist with that.

GORDON: In addition, when we certify we go through great pains to make sure that the dollars received in tax credits are passed through to the tenant.

215 REP. JOHNSON: Page 1, lines 22 - 26; this increases the amount of credit for each 10% below 80% of median income in the housing project; so the poorer the people are the better the credit is?

WESTFALL: Yes.

REP. JOHNSON: If the income raises substantially, what happens to the program?

WESTFALL: At this point it is up to the sponsor; as long as people are below 80% of the median income when they enter, there is no monitoring.

I would like something that said "below the required entry level" or otherwise it is a problem that is undefinable.

260 REP. BAUMAN: We are creating low income housing that stays low income and as the tenant improves their standing they will move out and there will be another place available.

My concern is that when the monitoring ends the property floats up beyond the reach of an income class that is was created for.

315 CHAIR REPINE: I will call a five minute recess. (9:25 a.m.)

325 CHAIR REPINE: Calls hearing back to order. (9:30 a.m.)

327 DEE WALSH, REACH, COMMUNITY DEVELOPMENT: Submits written testimony in support of HB 3467, including one amendment and a statement from the City of Portland, (EXHIBIT E).

As far as monitoring, there are some measures in place for non-profits and it is important to look at that when giving this to groups other than non-profits or government.

435 REP. JOHNSON: You monitor to assure that they tenants are below the minimum income level; have you found that causes people to be less enthusiastic about increasing incomes because they will lose their low income housing?

WALSH: We wouldn't kick them out, but if their income goes up we have to pay taxes so their rent would go up.

We have found that people do want to move out of our housing.

475 REP. SHIBLEY: Gentrification; what have you observed in Portland in terms of people staying, fixing up and increasing property rates vs. moving out?

WALSH: There are neigHB orhoods where that has occurred and that is why our goal is to create a permanent source of housing and always keep it available to low income people so that if some units in a neigHB orhood do gentrify, there will be a mix of income ranges.

TAPE 56, SIDE B

045 FRANK BRAUNER, OREGON BANKERS ASSOCIATION: We are concerned with the maturity of the loan and the ability to sell loans to a third party.

To get an Oregon tax credit you have to be an Oregon tax payer, so you have a limitation there.

In order for a federally insured depository to invest it's depositors monies, there needs to be some certainty that there is a loan, a tax credit and that the project will pencil out and I would speak against language saying they must move if they income increases as that begins to impact the tax credit itself.

085 REP. JOHNSON: If loans qualified before increases weren't effected, would that make you comfortable?

BRAUNER: Yes; anything to make it certain that the tax credit would be good for the maturity of the loan.

The Housing Agency has to come through with a tax credit that will be

there for the life of the loan; we would support language that would make it clear.

BRAWNER: I do support the amendments submitted this morning.

125 REP. BAUMAN: There was no ceiling on tax credits available last session; was there discussion on prioritization?

BRAWNER: This needs to be flexible with direction coming on a case by case basis from the Housing Agency.

BRAWNER: There is a cost to this bill, but there is income also.

165 CHAIR REPINE: Employer assisted housing; what is your impression of that?

BRAWNER: That is an excellent concept, if there is an employer willing.

CHAIR REPINE: We will be meeting with a group of employers to see how they feel about this idea.

185 LOUISE ANDERSON, RESOURCE MANAGER, PORTLAND DEVELOPMENT COMMISSION: Submits written testimony, (EXHIBIT F).

230 ANDERSON: Our problem is the ten year limitation; extending the term of the credit doesn't add cost.

We are faced with trying to structure a ten year credit for a twenty year loan.

Continues with written testimony, see (Exhibit F).

305 ANDERSON: I do have two amendments, see (Exhibit F).

325 REP. SHIBLEY: I have concern about deleting section 3; do you have a suggestion as to how we can maintain this stock for low income without creating enforcement?

ANDERSON: Any time there is federal money, there is already a set of standards for enforcement and maintaining stock.

375 WESTFALL: This is the provision we were in support of; the simplest way to do this is to go to line 4, page 2, where it says that credit will be allowed for 10 years, change "10" to "20" and eliminate 3(a).

We would applaud the flexibility that change would give us and it doesn't raise the cost.

If you want to separate the programs then 3(a) may be necessary; if this committee would support the change to twenty years we would have flexibility.

435 CHAIR REPINE: I want the interested parties to get together and work out the language and the changes to be made.

460 PETER GRUNDFOSSEN, ASSOCIATION OF OREGON HOUSING AUTHORITIES: We support HB 3467; we do want to keep this simple and effective.

Our major interest is that it be possible to sell these mortgages to the secondary market and that is what we would like to see accomplished more

than anything else.

TAPE 57, SIDE B

033 CHAIR REPINE: We are adjourned. (10:07 a.m.)

Submitted by:    Reviewed by:

Kimberly Burt    Janet McComb Assistant Administrator

EXHIBIT SUMMARY:

A - HB 2523 SMS & revenue impact statement submitted by staff, pp 2 B - Informative material to HB 3467 submitted by REP. DWYER, pp 15 C - HB 3467 SMS & revenue impact statement submitted by staff, pp 2 D - Written testimony to HB 3467 submitted by WESTFALL, pp 10 E - Written testimony to HB 3467 submitted by WALSH, pp 2 F - Written testimony to HB 3467 submitted by ANDERSON, pp 4