

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 18, 1991Hearing Room D 8:00 a.m.Tape 69 - 71

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

MEASURES CONSIDERED: HB 3415 (PUB) HB 3315 (PUB) HB 3381
(PUB)

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TAPE 69, SIDE A

005 CHAIR REPINE: Calls the hearing to order. (8:00 a.m.)

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

Rep. Bauman and Johnson arrive. (8:06 a.m.)

INFORMATIONAL HEARING ON IMPOSED MORATORIUM ON BOND FINANCING
Witnesses:Tony Meeker, State Treasurer

015 TONY MEEKER, STATE TREASURER: Submits informative material,
(EXHIBIT A).

In 1985 Oregon's bond credit rating was reduced from "AA" to "A" by the credit rating agencies because of a variety of things; Oregon's economy wasn't diverse, but the most important reason was the negative cash flow that existed in the Oregon Department of Veteran's Affairs Home Loan Program.

In 1987 the Governor and the Treasurers Office developed a long range fiscal management plan to get us out of the \$600,000,000 "hole" that existed with the ODVA.

This is why I was able to come to you at the beginning of this session and report that the ODVA had a positive cash flow of \$123,000,000 in

it's bonding program and our credit rating was boosted to "AA" and before 1991 is over the ODVA would be in a position to once again issue bonds and make home loans.

075 MEEKER: In addition there is a public/private partnership between ODVA and Oregon's banking and savings and loan industry so that loans can be originated at the local level and serviced at the state level making a solid long range program.

It looks like the US Congress may not pass legislation allowing the extension of eligibility for veterans home loans; we continue to communicate with the US Congress, hoping to convince them that Oregon has to wait until their language is written before we can amend our constitution.

REP. BELL arrives. (8:17 a.m.)

101 MEEKER: The moratorium on bonds still exists.

After Measure 5 passed I issued a moratorium on bonds; at that time I indicated it was temporary.

REP. MCTEAGUE arrives. (8:17 a.m.)

155 MEEKER: The moratorium will remain until we have solid evidence of a management plan that we can demonstrate in legislation and demonstrated political will that Measure 5 is going to be resolved.

I encourage you to look at suggestions I have made and put in your own; it must be done over the next 6 months.

I suggest that there should be a special session next spring with several items on the agenda.

200 MEEKER: You need to develop fiscal management plan; I offer my assistance and I am excited by the reaction of leadership to my suggestion.

REP. SHIBLEY: I am frustrated at the lack of a specific agenda to deal with the long term implications of Measure 5; what response have you received from the speaker?

MEEKER: The speaker has indicated understanding about my letter announcing the moratorium and has assigned two people from his office to work with my staff in putting together different parts of his agenda.

This isn't a partisan issue and if it becomes one we will fail.

REP. SHIBLEY: We don't have replacement revenue planned and until we do I would assume you will continue that moratorium.

MEEKER: We can't talk about replacement revenue because there won't be any; the instruction in Measure 5 was clear and we must construct a plan around that mandate.

The people of Oregon don't have much faith in us and I am certain that any plan laid on the table today would be rejected.

330 MEEKER: Even with Measure 5 a 15% increase in assessed values isn't going to produce any reduction in property taxes, in fact, the reverse,

it may increase property taxes.

Measure 5 is a spending limit on state government and we should develop a plan around Measure 5 that solidly lays, before the people, the options they have for the future.

355 REP. BAUMAN: What are the ripple effects of not being able to issue GO bonds and are the current GO bond obligations secure?

MEEKER: \$800,000,000 dollars worth of bonds has an enormous economic impact; the effect on the state is \$2 billion in two years.

REP. BAUMAN: Some bonds affected aren't GO bonds?

MEEKER: No.

REP. BAUMAN: What percentage of our indebtedness is GO bonds as compared to revenue bonds?

MEEKER: 90% of the total outstanding debt today.

REP. BAUMAN: Does the moratorium apply to local governments capacity to generate revenue bonds as well?

MEEKER: The moratorium I issued only applies to the State of Oregon; I have no control over the way local governments issue debt although Measure 5 has changed the way local governments issue debt.

I did call into action the Municipal Debt Advisory Commission that brought you legislation that puts article 11.11 and state law together and when you pass that legislation, local government will be in a far better position than the state, relative to the issuance of new debt.

TAPE 70, SIDE A

040 MEEKER: Current GO bonds are secure and we will have no problem dealing with those if you pass the budget before you.

REP. BAUMAN: The ability of the borrower to pay their obligation is what stands behind the bonds and most of those are veterans and the passage of Measure 5 doesn't have much impact on them.

MEEKER: When you issue bonds they are for 30 years; if there isn't a demonstrated plan to deal with that there is no back up.

095 REP. BAUMAN: We have never known where we would be in 30 years from today.

MEEKER: The constitution says that if there is any problem with the bonds the first call is the general fund, second is property taxes.

120 REP. SUNSERI: If you look at history, the general fund has always grown by 10% a year.

MEEKER: The point is that there are problems and I suggest that the closer you get to problem the more facts you have to have and that is why I suggest a special session next year, when you know exactly the property tax levies that will occur in late 1991 with the bills being paid in November of 1991.

Additionally, you will be far closer to the revenue estimates for 1993 - 1995; if at the same time you had the Governor's budget in your hands, you will be in a far better position to answer the questions.

REP. SUNSERI: Is it wise for us to start leveling with the people in the state and stop telling them there will be cuts when we are going to spend about \$900,000,000 more than we did last time?

We are telling people we will cut 1500 jobs from the state when in reality we are going to hire 718 people more?

MEEKER: That is the area of policy; my job as the State Treasurer is to point out to you the need for a fiscal management plan; it is your job to build the foundation of the plan.

175 CHAIR REPINE: Short of the congressional members passing a law to change eligibility, would we still want to be going out getting more bonds available for veterans and when the moratorium is lifted, how will you assess the release of GO bonds?

MEEKER: The ODVA has done an incredible job; they have constructed an FHA insured loan program and we are ready to issue new bonds.

215 REP. SHIBLEY: I am concerned about the perceived stability of the state; how is this going to further the stability of our state?

MEEKER: I view this as an open discussion of issues that are important to the people of Oregon.

REP. BAUMAN: I can't believe that the folks in New York are fooled by the talks of cuts and can't imagine that would stand between us and our credit rating when the actual condition of the general fund is okay.

310 REP. BAUMAN: I will spend the rest of this session working to get the balance so that we can get this state back to where we know it deserves to be; I think that there is an obligation in the Treasurer's Office as well.

MEEKER: The heat is on and it stops at the treasurer's chair; the message I brought today was that the moratorium on bonds will stay until we have an agenda and plan for the next 5 years that outlines the way the people have mandated it be done.

All I ask is that we craft an agenda; there are as many people that buy bonds in this state as there are state employees.

395 REP. MCTEAGUE: You suggest we implement Measure 5 and not expect replacement revenues and I am curious what the New York rating agencies will think about this state when we dismantle our higher education system, segments of our Community College system, allow our prison system to decay and maybe even be downsized, not to mention the ripple effect across the entire human resource area.

MEEKER: They worry about our ability to deliver services that the people of Oregon have asked us to deliver.

425 REP. MCTEAGUE: Are you in favor of a replacement revenue?

MEEKER: Twice I've supported a sales tax, once opposing one; the record is clear that I feel we need to do school financing.

REP. BAUMAN: You say you have no control over local indebtedness; I think it should be clear that the City of Portland and the Portland School District isn't dealt with here and we have no control over what they do.

TAPE 69, SIDE B

MEEKER: It is the public perception of how they are being governed that rules the political future; I am suggesting that the voters simply won't be blackmailed into something.

What will work is developing an agenda and over time, educating the people on the choices that they face, which are reduced state services or a replacement revenue for schools that allows the state to rebuild the services.

The voters will do the rest; I have faith in the people of Oregon and their understanding about what they are constructing.

065 CHAIR REPINE: I would encourage you and your staff to make this same time available to the other committees as it is important that we have this free dialogue approach to the financial woes and the future of Oregon.

MEEKER: I seek your help and offer all of mine to you; thank you for allowing me to share these thoughts, I await yours in return.

CHAIR REPINE: We will stand at ease. (9:07 a.m.)

CHAIR REPINE: Calls the hearing back to order; we will serve as a subcommittee for the purposes of hearing testimony. (9:15 a.m.)

PUBLIC HEARING ON HB 3415 Witnesses: Phillip Yates, Oregon Fair Housing Frank Brawner, Oregon Bankers' Association & Oregon Mortgage Bankers' Association

090 JANET MCCOMB, COMMITTEE ADMINISTRATOR: Submits SMS, fiscal & revenue impact statement and the (-1) amendments, (EXHIBIT B).

REP. BELL has requested this bill to correct an oversight in ORS 659.003 that left off "familial status".

100 PHILLIP YATES, ATTORNEY, OREGON FAIR HOUSING COUNCIL: ORS 659.033 is the Oregon Fair Housing Act; it tracks the federal law with one minor exception.

For some reason the list of protective classes didn't include "familial status".

145 FRANK BRAUNER, OREGON BANKERS ASSOCIATION & OREGON MORTGAGE BANKERS ASSOCIATION: Testifies in support of HB 3415 as amended by the (-1) amendments.

PUBLIC HEARING ON HB 3315 Witnesses: Rep. Marie Bell, House District 41 Rep. Bill Dwyer, House District 42 Frank Brawner, Oregon Bankers' Association & Oregon Mortgage Bankers'

JANET MCCOMB, COMMITTEE ADMINISTRATOR: Submits SMS & revenue impact statement, (EXHIBIT C).

This is in response to studies showing that homeownership under the age of 35 is declining and the down payment has been seen as the major deterrent.

175 REP. MARIE BELL, HOUSE DISTRICT 41: With each biennium we worry more about our children being able to purchase homes and without some aspect of subsidy it is difficult for people buying their homes for the first time.

CHAIR REPINE: Would this prevent an individual from starting to accrue money early?

REP. BELL: There is a 120 month limit; this is for individuals or married individuals.

215 REP. BILL DWYER, HOUSE DISTRICT 42: This innovative concept would allow another tool for people that haven't been able to own housing.

The most fundamental aspect of the American dream is homeownership and this is another tool that allows that to happen.

REP. MCTEAGUE returns. (9:25 a.m.)

REP. JOHNSON returns. (9:28 a.m.)

265 FRANK BRAUNER, OREGON BANKERS ASSOCIATION AND OREGON MORTGAGE BANKERS: This is an IRA type of account used to accumulate the down payment for persons buying their first home.

This is innovative and simple; in my opinion Measure 5 requires that we look to things such as HB 3315.

If you gave \$1000 to your child the child would own the \$1000 and could get the tax credit; if your child was married you could give \$2000 per year.

If that money isn't documented to have been used for the down payment of the first home then the taxes are due and payable.

CHAIR REPINE: If the money was withdrawn for other purposes it is subject to taxes?

BRAUNER: Yes; to qualify you must never have owned a home before.

If the money is used for a down payment, there are no taxes.

325 REP. SUNSERI: If you can put away \$1000 per year, after 5 years, won't the price of homes have risen so much that the down payment wouldn't be enough?

BRAUNER: That point is well taken, but I am concerned about the practicality.

REP. SHIBLEY: Could two individuals who aren't married combine their accounts?

BRAUNER: That is our understanding, if not it should be.

405 REP. SHIBLEY: Would it be appropriate to tie the institution in so

that they also invest in Oregon?

BRAWNER: Two of the three institutions listed as depositories are required to comply with the Community Reinvestment Act so in those cases it has to be the case.

460 REP. JOHNSON: Line 29 on page 3 says that if the money is used for other than a down payment, the money becomes taxable; what is that?

BRAWNER: I can't remember, I know that there is a reason, and I will get back to you.

REP. JOHNSON: What prohibits a person from using the money for a home one week and then sell it the next?

BRAWNER: We didn't think that we could require people to occupy the home for a period of time.

TAPE 70, SIDE B

047 REP. JOHNSON: What if we made them report on the years tax form, the year they purchased the home, that they still lived in the house?

REP. BELL: I would have a problem with a time line.

REP. BAUMAN returns. (9:45 a.m.)

PUBLIC HEARING ON HB 3381 Witnesses: Emily Cedarleaf, Multi-Family Housing Council Phillip Yates, Attorney, Fair Housing Council of Oregon

120 EMILY CEDARLEAF, MULTI-FAMILY HOUSING COUNCIL: Submits and reads written testimony, hand engrossed amendments and informative material in support of HB 3381, (EXHIBIT D).

165 CEDARLEAF: Describes proposed amendments, see (Exhibit D).

I urge your support of the amendments and the bill.

This bill came out of a report that the Housing Agency did and it was part of a full package presented to the interim committee.

210 PHILLIP YATES, ATTORNEY, FAIR HOUSING COUNCIL OF OREGON: Testifies in opposition to HB 3381.

YATES: With a 2 person per room occupancy standard landlords have a rule; there is a federal occupancy standard evolving currently.

In my view it is inappropriate for the state to express, as a policy, that two is appropriate.

HUD has adopted an internal policy that two is a "rule of thumb".

290 YATES: Cultural preference is given in the bill; hispanics often have more people in rooms than two, so do they not have the same occupancy standard?

If this applied only to adults I wouldn't have a problem with it, but when there are large families, with children, it hurts.

320 REP. JOHNSON: Landlords have put money into residences and they

want to keep them up; I think we need to remember that landlords have needs also.

I think we need to recognize the concerns on both sides.

YATES: There are health and safety limits; this is vague and it shouldn't be etched in stone.

Landlords can cover themselves, they can charge extra rent for extra people.

REP. JOHNSON: On one hand there is a housing crisis; if we could double the number of landlords it would help.

435 YATES: We are taking freedom away from landlords; I don't think that they will see allowing more people in the dwelling as limiting freedom.

There are people living on the streets because they can't afford a two bedroom apartment, but have too many occupants for a one bedroom.

480 REP. BELL: Where is the intent of this bill; health & safety or landlord protection?

CEDARLEAF: Health & safety and protection of landlords.

REP. JOHNSON leaves. (10:07 a.m.)

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040 YATES: There is a uniform housing code standard adopted is two people per occupiable room with considerations for size of rooms.

REP. BELL: Would you be more comfortable talking about bed space as opposed to rooms?

YATES: My point is that the federal law will control, federal courts will decide this.

CEDARLEAF: The fire marshall does speak to space; the fire code requires a smoke detector close to the bedroom and it doesn't spell out putting that smoke detector in the living room.

CEDARLEAF: Congress didn't preempt local government from adopting a policy, as long as it isn't more restrictive than federal and doesn't have an impeding effect on children.

120 REP. SHIBLEY: My understanding from the legislation passed last session was that there was an agreement to not change this again; how does this bill fit into that understanding?

CEDARLEAF: I don't agree with that; HB 3364 directed that the State Housing Council and the Bureau shall develop occupancy guidelines for dwelling units that shall be submitted to an interim committee to address housing issues.

There was no interim housing committee and the bill didn't say that they had to adopt it, but they should review it and that was what they did.

135 REP. BAUMAN: Last session landlords were amenable to the Fair

Housing adoption and people in other states were impressed and surprised and wanted to know how it happened; it was clear then that the landlords wanted an occupancy standard.

We did have an interim committee and we did look at the standard which had been reduced to guidelines; the conversation in the committee rapidly deteriorated because it is virtually impossible to anticipate every situation that a landlord might encounter.

185 REP. BAUMAN: I am concerned about the bill as it expresses a guideline and I'm not sure that will be any protection to landlords.

CEDARLEAF: Small owners are exempt from federal statutes, (3 units or less); I believe that the policy of who lives in a rental unit should apply whether they own 1 or 100 0.

REP. BELL leaves. (10:21 a.m.)

REP. JOHNSON returns. (10:22 a.m.)

230 CHAIR REPINE: A definition of sleeping area may be helpful; I suggest that you and Mr. Yates work together to try to find an answer.

REP. SHIBLEY: Would this apply to a couple has a baby and brings in a crib, would this effect that?

CEDARLEAF: Line 14 says that would be acceptable; it would become less acceptable if a 14 year old were brought into the couples bedroom.

295 YATES: I have a fundamental problem with this that I don't think can be solved through compromise; to send any message on occupancy from the legislature to the landlords of this state is a mistake when it deals with families with children as you don't write the rules.

The federal courts will write the rules and any message you send will probably be wrong.

CEDARLEAF: I can amend the definition of bedroom and sleeping area.

YATES: If this only applied to adults it will be a landlord/tenant issue, not a fair housing issue.

333 CHAIR REPINE: The committee stands adjourned. (10:30 a.m.)

Submitted by: Reviewed by:

Kimberly Burt Janet McComb Assistant Administrator

EXHIBIT SUMMARY:

A - Informative material on the moritorium on bond financing submitted by MEEKER, pp 13 B - HB 3415 SMS, fiscal & revenue impact statements and (-1) amendments submitted by staff, pp 3 C - HB 3315 SMS & revenue impact statement submitted by staff, pp 2 D - HB 3381 informative material, written testimony and amendments submitted by CEDARLEAF, pp 11 E - HB 3381 SMS, fiscal & revenue impact statements submitted by staff, pp 2

