

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

May 2, 1991Hearing Room D 8:00 a.m.Tape 81 - 83

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 3073 (WRK) HB 3075 (WRK) HB 3134
(PUB) HB 3045 (PUB) HB 3330 (PUB) HB 2779 (PAW) HB 3202 (PUB) HB 3550
(PAW) HB 3405 (PUB) HB 3143 (PUB)

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TAPE 81, SIDE A

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

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

015 MOTION: CHAIR REPINE moves reconsideration of the vote by which HB 2463 passed.

020 VOTE: In a roll call vote the motion carries unanimously. Members absent: McTeague, Shibley & Bauman.

WORK SESSION ON HB 3073

035 MOTION: REP. SUNSERI moves adoption of the (-2) amendments to HB 3073, (EXHIBIT A).

REP. SUNSERI: The (-2) amendments establish an income bracket of \$40,000 and a maximum value of \$50,000 and this also clarifies that this is a one time tax credit.

REP. BELL: Were we going to insert language on park closure?

REP. SUNSERI: If the park is closed they have no choice but to move so it is included.

073 VOTE: Hearing no objection the motion carries.

MOTION: REP. SUNSERI moves that "mobile home" be replaced by "manufactured

dwelling" every it appears in HB 3073.

REP. SUNSERI: On line 10 "qualified residential individual" means a husband and wife.

095 MOTION: REP. SUNSERI moves HB 3073 as amended to the Committee on Revenue and School Finance.

VOTE: In a roll call vote the motion carries unanimously. Members absent: McTeague, Shibley & Bauman.

WORK SESSION ON HB 3075

105 REP. SUNSERI: Describes (-1) amendments, (EXHIBIT B).

110 MOTION: REP. SUNSERI moves the (-1) amendments to HB 3075.

VOTE: Hearing no objection the motion carries.

115 MOTION: REP. SUNSERI moves HB 3075 as amended to the Committee on Revenue and School Finance.

CHAIR REPINE: We need to replace "mobile home" with "manufactured dwelling".

125 MOTION: REP. SUNSERI moves that "mobile home" be replaced with "manufactured dwelling" throughout the bill.

128 VOTE: Hearing no objection the motion carries.

130 MOTION: REP. SUNSERI moves HB 3075 as amended to the Committee on Revenue and School Finance with a do pass recommendation.

135 VOTE: In a roll call vote the motion carries unanimously. Members Excused: Rep. Shibley Members absent: Rep. Bauman & McTeague

PUBLIC HEARING ON HB 3134 Witnesses:Rep. Kevin Mannix, House District 32

150 REP. KEVIN MANNIX, HOUSE DISTRICT 32: HB 3134 is designed to fine tune a system just getting off the ground.

Rep. McTeague arrives. (8:15 a.m.)

Rep. Bauman arrives. (8:17 a.m.)

Rep. Shibley arrives. (8:18 a.m.)

REP. MANNIX: The plan allows interest on deposits to be used to assist low income housing; this bill, with it's amendments, is deigned to remove some glitches.

The program today is moving, getting grants to local communities, helping people get housing and the idea here is that the money go back to the housing market under standard concepts regarding these kinds of

deposits.

190 REP. MANNIX: The features include a division of rules between the Housing Agency, Real Estate Agency and the Department of Insurance and Finance, (DIF).

The bill will provide for a single low income housing account for each licensee; this will save fees by consolidating accounts, giving greater simplicity of enforcement.

There is a provision that will end the "opt out" feature of the program and this is probably the controversial aspect of the bill.

PUBLIC HEARING ON HB 3405 Witnesses: Rep. Carl Hosticka, House District 40

255 REP. CARL HOSTICKA, HOUSE DISTRICT 40: HB 3405 tries to facilitate the establishment of industrialized housing in Oregon.

There was an article in the Oregonian that described industrialized housing programs, (EXHIBIT C); there is a company in Vancouver Washington where rather than building houses on site, they put together modules or panels that are erected on site.

The bill would continue the effort in Lane County by funding research on the efficiency and design of industrialized housing in conjunction with the Regional Strategies Economic Development Program in Lane County.

This isn't simply a project of the University of Oregon or the Department of Education but is part of a community wide effort in the Eugene/Springfield area.

310 REP. JOHNSON: Why U of O rather than Oregon State?

REP. HOSTICKA: U of O actually has the programs; housing programs have been traditionally located at U of O.

PUBLIC HEARING ON 3330 Witnesses:Rep. Tom Novick, House District 16

370 REP. TOM NOVICK, HOUSE DISTRICT 16: HB 3330 deals with DEQ mandates to instal sewers.

This is designed to bring all people into line with the Construction Contracts Board, (CCB) licensing rather than allowing DEQ to bond and license these people.

The bill will need amendments as it removes the bonding requirement for anyone putting in any kind of sewer and we didn't want that to happen.

420 REP. SUNSERI: What if we didn't allow additional systems hooked up until the lines could handle and process that sewage?

REP. JOHNSON leaves. (8:30 a.m.)

REP. NOVICK: I wouldn't be supportive of doing that in this bill as it would probably "kill it".

WORK SESSION ON HB 2779-A

Staff submits (-13) amendments, (EXHIBIT D).

495 MOTION: REP. BAUMAN moves the (-13) amendments to HB 2779-A.

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REP. BAUMAN: These changes will create a greater opportunity for farm workers & migrant workers to qualify for housing; Native Americans are also added in the amendments.

055 JANET MCCOMB, COMMITTEE ADMINISTRATOR: Describes (-13) amendments.

090 REP. JOHNSON: I would object from excluding the provision that creates a mixture of housing in an area.

REP. BELL: This is fairly restrictive; based on zoning laws in communities and already established entities some areas would have an advantage.

145 VOTE: In a roll call vote the motion carries. Members voting no: Rep. Johnson

REP. MCTEAGUE: The Trade and Economic Development Committee had \$5 million of lottery funds targeted to housing, one concern raised about that \$5 million was that they would go to immediate housing accounts as opposed to the trust fund.

168 MOTION: REP. BAUMAN Moves HB 2779-A as amended to the floor with a do pass recommendation.

173 VOTE: In a roll call vote the motion carries unanimously. CARRIER: Repine & Bauman

REP. BAUMAN leaves. (8:46 a.m.)

PUBLIC HEARING ON HB 3202

190 CHAIR REPINE: This bill was introduced by Rep. Walden; it is designed to allocate fees from citations or violations collected in the construction industry to help pay for the investigation and enforcement by that agency.

In the CCB budget, other funds have been dedicated for this purpose so this bill isn't necessary at this point in time.

PUBLIC HEARING ON HB 3550 Witnesses: Jerry Justice, Clackamas County

CHAIR REPINE: Is there a witness registration sheet on HB 3550?

KIMBERLY BURT, COMMITTEE ASSISTANT: It is blank sir.

CHAIR REPINE: Okay, staff will take the lead on this one.

230 JANET MCCOMB, COMMITTEE ADMINISTRATOR: This bill comes to us from the Task Force on State Mandates; currently competitive bidding requirements are required on most contracts and this would exempt those contracts under \$50,000 if at least three competitive quotes have been obtained.

Kim Mingo from the Associated General Contractors tells me there may be amendments in the works, but I haven't seen them.

Staff submits fiscal impact statement, (EXHIBIT E).

250 JERRY JUSTICE, CLACKAMAS COUNTY: HB 3550 comes from The Speakers' Task Force on Mandates; it is a recognition of a practice that continues to go on now.

For many situations it is more efficient for a public agency to provide competitive quotes for the purchase of materials or supplies than to go through a formal bidding process with the advertising requirements, specifications and the attended expenditures that go with it.

260 JUSTICE: The bill continues to require a finding if competitive quotes are used in place of or in lieu of the bidding process; a finding that says that it doesn't effect the competitive environment or provide an unfair advantage to any particular supplier or contractor.

I recommend the bill to you as it stands and await to see what the amendments might be.

CHAIR REPINE: You may not have to wait long; any questions?

Okay, then we will move HB 3550 into a work session.

WORK SESSION ON HB 3550

275 MOTION: REP. MCTEAGUE moves HB 3550 to the floor with a do pass recommendation.

277 VOTE: In a roll call vote the motion carries unanimously. Members excused: Rep. Bauman & Sunseri CARRIER: REP. MCTEAGUE

PUBLIC HEARING ON HB 3405 Witnesses:Linda Lynch, City of Eugene Lee Beyer, President, Springfield City Council Marcia Morgan, Intergovernmental Relations Coordinator, Lane County John Mosley, Vice-President of Research, U of O

325 LINDA LYNCH, CITY OF EUGENE: Submits written testimony in support of HB 340 5, (EXHIBIT F).

325 LEE BEYER, PRESIDENT, SPRINGFIELD CITY COUNCIL: Testifies in support of HB 340 5, submits written testimony , (EXHIBIT G).

380 MARCIA MORGAN, INTERGOVERNMENTAL RELATIONS COORDINATOR, LANE COUNTY: Testifies in support of HB 3405.

This focuses statewide attention on this innovative type of housing; we urge your support of the bill

REP. JOHNSON: If we have 100 companies on the East Coast and companies in California doing this, why do we need to start from scratch and have our own research?

LYNCH: The city became interested 2 to 3 years ago when we began our quest for an affordable housing stock; summarizes written testimony.

REP. SUNSERI returns. (9:00 a.m.)

475 JOHN MOSLEY, VICE-PRESIDENT OF RESEARCH, UNIVERSITY OF OREGON: We made a commitment to investigate industrialized housing and energy

efficiency in housing a number of years ago.

TAPE 81, SIDE B

040 MOSLEY: These houses are built out of sophisticated panels that can be erected on site in one to two days.

This would change our exporting base from 2 by 4's and plywood to much higher value added panelized systems.

050 MOSLEY: This wouldn't replace homebuilders as industrialized housing factories typically don't sell homes to individuals, but sell building systems to homebuilders.

Describes components of program.

120 MOSLEY: The Lane County proposal does recognize the need for employment in the rural areas; this bill provides the resource for state wide expertise.

REP. JOHNSON: How would a person get involved with this?

MOSLEY: This isn't intended to help people get into this, but to assist a home builder who wants to get expand.

REP. BAUMAN returns. (9:11 a.m.)

180 REP. JOHNSON: What would the wage levels of workers' in factories?

MOSLEY: OEDD has hired consultants and they say that there are 3 elements of savings, one of which is labor.

The efficiency in using people and materials is higher and there is savings in inventory.

MOSLEY: If you look at the history of the establishment of the Center for Housing Innovation, it has been an activity that has been trying to reach out into the community and that is the intent of all the people involved.

PUBLIC HEARING ON HB 3141 Witnesses:Rep. Rod Johnson, House District 45
Richard Weinman, City of Eugene

Staff submits SMS, revenue & fiscal impact statements, (EXHIBIT H).

260 REP. ROD JOHNSON, HOUSE DISTRICT 45: I drafted this bill to allow non-profit corporations to be tax exempt if the locality approves it.

Some of the benefits are that people don't have to buy a piece of land and build a house to qualify; this allows refurbishing of existing homes.

This program could be beneficial not only to low income housing people, but to people like Governor Straub who contribute to these kinds of programs.

350 REP. SUNSERI: "For public benefit"; is there any establishment clause saying that this will be on going for public benefit rather than someone buying a fixer-upper saying that it is for low income housing and being able to use this?

REP. JOHNSON: The wording used refer to ORS 65; this says they must be a corporation.

388 REP. SUNSERI: What will determine what is "low income rent"?

REP. JOHNSON: Line 22, page 1 defines "low income".

REP. SHIBLEY leaves. (9:25 a.m.)

REP. JOHNSON: This says that the home must be occupied by low income persons.

450 RICHARD WEINMAN, CITY OF EUGENE: This refers to HUD guidelines that say that no more than 30% of a persons income will go to rent.

REP. JOHNSON: The existing law allows this for profit corporations; section 2 is specifically limited to non-profit corporations.

TAPE 82, SIDE B

PUBLIC HEARING ON HB 3134 Witnesses: Robin White, Executive Vice-President of Portland Building Owners and Managers Association Charley Conroe, President, Goodman Financial Services, Portland Rey Ramsey, Administrator, Oregon Housing Agency Lynn Partin, Program Representative, Housing Agency Low Income Rental Housing Fund

045 ROBIN WHITE, EXECUTIVE VICE-PRESIDENT OF PORTLAND BUILDING OWNERS AND MANAGERS ASSOCIATION, (BOMA): We are asking that this include residential properties only.

Rules that went into effect by the Housing Agency recently that specifically exempt commercial properties and although this body has always tried to provide a link between revenues raised and services provided, there is no logical link between warehouses and office buildings and housing for low income people.

070 CHARLEY CONROE, PRESIDENT, GOODMAN FINANCIAL SERVICES, PORTLAND: I will address commercial vs. residential leases and why this would create a problem.

In a residential lease it is usually a month to month or one year obligation applying to a structure or a housing unit that is built to service occupant after occupant.

In a commercial lease you are talking about one to twenty or more years and a structure that quite often has to be completely re-fitted; these are leases that are negotiable.

When you take a deposit quite often it is called a "lease consideration" or "pre-paid rent" and that is different from a "security deposit".

REP. BAUMAN: Security deposits are currently covered in law; does this cover them?

CONROE: We have a provision for "lease consideration" which may be interpreted as a "security deposit" as some of the wording in there says that the funds can be used in case of default, but it goes on to say that it is also usually a portion of pre-paid rent and it does state that it is non-refundable.

100 REP. BAUMAN: Is that section of your lease governed by Oregon law that relates to security deposits for property managers?

CONROE: We feel it isn't.

125 REP. SUNSERI: If this passes will many of the existing agreements with property managers be at risk?

CONROE: It could; our final concern is that this wouldn't apply to non-licensees and that would put us at a disadvantage.

155 RAY RAMSEY, ADMINISTRATOR, OREGON HOUSING AGENCY: HB 3134 is a quality bill, with the amendments that has serviced many individuals in this state well.

We have linked these projects with housing authorities and with community action agencies and the family selection process and have served families by giving them rent assistance for six months and it has made a real difference in people's lives.

185 LYNN PARTIN, PROGRAM REPRESENTATIVE, HOUSING AGENCY LOW INCOME RENTAL HOUSING FUND: Gives history and describes program and funds.

This was originally based on the IOLTA program; IOLTA is "interest on lawyers trust accounts".

We are averaging about \$2260.64 for each household and that is for a six month period.

We have helped families across the state; this program tries to touch the "untouchables" who for some reason are unable to receive help from federal programs.

310 REP. BAUMAN: How do you anticipate in this terms of families served?

PARTIN: We have 87 households currently with about \$200,000; I would think that we could get to 350 households per year.

335 PARTIN: There are two issues about the "opt out" provision that deal with federal banking law conflicts with this statute and federal tax law problems with this statute.

REP. BAUMAN: We start floor session in the House at 10:00 and we have a technical requirement that we are going to meet right now.

We will temporarily go out of the hearing on HB 3134.

360 REP. BAUMAN: I will open and close the public hearing on HB 3416.

I will open and close the public hearing on HB 2930.

I will open and close the public hearing on HB 3034.

I will open and close the public hearing on HB 3129.

378 REP. BAUMAN: We are now going to continue.

PUBLIC HEARING ON HB 3134 Witnesses:Dee Carlson, Assistant Attorney

General, Department of Justice, (DOJ) Cecil Monroe, Administrator,
Finance and Securities Division, Department of

Insurance and Finance, (DIF) Frank Brawner, Oregon Bankers' Association

DEE CARLSON, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF JUSTICE, (DOJ): I was asked to briefly speak to the mandatory nature of the proposed amendments as opposed to the voluntary aspect of the present legislation or the relationship it has to income tax law.

In section 61 of the Internal Revenue Code there is a provision that all income received by a person is taxable, except as otherwise provided by law.

There has been a long standing doctrine of assignment of income first articulated in a Supreme Court case called *Lucas vs. Earl* in 1930 which basically says that income received and assigned to someone else is still taxable to the recipient.

REP. BELL leaves. (9:55 a.m.)

410 CARLSON: Later case law dealing with the IOLTA program in other states, as provided that where there is an interest on an account where the client has a say by consent or veto, as to where that income will go, it still may be taxable to that person.

If you take that to this program and say that a tenant who deposits a refundable deposit and there is interest earned and that person under the voluntary program consents or doesn't consent to where it may go, there may be taxable gain to the tenant, something that I don't think was anticipated.

One benefit of the mandatory program is that it would eliminate the aspect where a tenant is consenting to where the money is going and there would not be taxable gain to the tenant.

435 CECIL MONROE, ADMINISTRATOR, FINANCE AND SECURITIES DIVISION, DEPARTMENT OF INSURANCE AND FINANCE, (DIF): Basically one problem that developed with the trust accounts was the payment of interest.

There is a federal prohibition against paying interest on business accounts, specifically, partnerships and corporations.

Generally speaking, the federal banking authorities will allow a bank to pay interest, specifically if the interest goes to the low income housing fund.

Credit unions involve different considerations as the tenants must be members of the credit union for that portion of their refundable deposit interest to be paid to the fund.

There is a way it can be accommodated even though the prohibition is there.

470 REP. BAUMAN: Is a tenant eligible to join a credit union by virtue of being a tenant?

MONROE: Not unless the credit union is organized as a community credit union; we don't have any state chartered credit unions in that category.

485 FRANK BRAUNER, OREGON BANKERS' ASSOCIATION: Testifies in support of HB 313 4 and the (-1) amendments.

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035 REP. BAUMAN: We are adjourned. (10:00 a.m.)

Submitted by: Reviewed by:

Kimberly Burt Janet McComb Assistant Administrator

EXHIBIT SUMMARY:

A - HB 3073 (-2) amendments submitted by REP. SUNSERI, pp 1 B - HB 3075 (-1) amendments submitted by REP. SUNSERI, pp 1 C - HB 3405 informative material submitted by REP. HOSTICKA, pp 2 D - HB 2779 (-13) amendments submitted by staff, pp 1 E - HB 3550 fiscal impact statement submitted by staff, pp 1 F - HB 3405 written testimony submitted by LYNCH, pp 1 G - HB 3405 written testimony submitted by BEYER, pp 1 H - HB 3141 SMS, revenue & fiscal impact statement submitted by staff, pp 3 I - HB 3405 fiscal impact statement submitted by staff, pp 1