

Tapes 210, 211, 213 (A/B) Public Hearing: HB 3141, HB 3467A Work Session: HB 2223A HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE . May 29, 1991 8:00 AM Hearing Room A State Capitol Building .. Members Present: Representative Delna Jones, Chair Representative Carl Hosticka, Vice-Chair Representative Mike Burton Representative Kelly Clark, Representative Bev Clarno Representative Mike Nelson Representative Fred Parkinson Representative John Schoon, Representative Jim Whitty Staff Present: Terry Drake, Legislative Revenue Office Steve Meyer, Legislative Revenue Office Dick Yates, Legislative Revenue Office Betty Shuholm, Committee Assistant Witnesses Present: Rep. Rod Johnson, Dist. 45 Richard Weinman, City of Eugene Peter Grundfossen, Assn. Oregon Housing Authority Steven Westfall, Oregon Housing Agency Louise Anderson, Portland Development Commission Jim Brown, Dept. of Revenue Don Fordyce, U.S. Bancorp Dave Barrows, Ore. League of Financial Institutions TAPE 210. SIDE A 005 CHAIR DELNA JONES called the meeting to order at 8:12 a.m. PUBLIC HEARING - HB 314 1 016 REP. ROD JOHNSON testified in support of HB 3141, explaining current law only applies to new construction, Sec. 2 which requires money in a nonprofit corporation continue in a low income housing function or revert to some other charitable or governmental agency. If the local taxing agencies in accordance with the existing law agree, then the nonprofit corporation would not have to pay taxes on such a property.

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093 STEVE MEYER presented the Property Tax Exemptions for Housing Programs schedule. HB 3141 made a change in the qualifications and a ten-year extension to the ten-year extension in Sec. 5. to a total of twenty years. Exhibit 1. 143 REP. JOHNSON commented only nonprofit organizations could take part, and therefore there should not be a sunset date. 161 STEVE MEYER continued explanation of Exhibit 1. Questions and discussion followed. 251 RICHARD WEINMAN testified the City Council of Eugene as well as the Intergovernmental Housing Policy Board which represented Springfield, Eugene and Lane County, strongly supported this provision. He stressed the importance of property tax exemptions could not be understated, as they were vital to the development of low income housing. The ten-year extension was important because of the time involved in development of such property and it was important to keep low income individuals in the housing as long as possible. The property tax exemption should be left to the local jurisdictions to be decided on as per each situation. Mr. Weinman also stated support for HB 3416. 390 PETER GRUNDFOSSEN testified in favor of HB 3141 and suggested combining with HB 3416 due to the importance of the development of low income housing in the State. The local government was not required to adopt these proposals as they were local option bills. TAPE 211. SIDE A 006 PETER GRUNDFOSSEN briefly described the history of the two bills. There were 60,000 households eligible for housing authority housing, earning less than 50% of median income. 10,000 additional low income housing units were needed in Oregon as soon as possible. HB 3141 and HB 3467A would not provide a large amount of additional housing, but would help with the solution. GRUNDFOSSEN encouraged passage of HB 3141 and HB 3416 as a package, plus HB 3378.

044 CHAIR JONES defined the difference between action being required by local governing bodies to allow property tax exemptions to occur and those who are a part of a discussion in a decision to allow the housing authority to build or manage. 063 PETER GRUNDFOSSEN reported that for federal housing purposes people who achieved the entry level were 50% or less of median income. There were other programs which were available between 50% and 80% median income. Questions and discussion followed regarding median income statistics for a family of four or less.

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122 REP. PARKINSON asked the advantage of raising the percentage to 80% which would mean many more people would be qualified. 127 PETER GRUNDFOSSEN replied that it would give some flexibility to deal with local level problems. PUBLIC HEARING - HB 346 7A 149 PETER GRUNDFOSSEN testified in support of HB 3467A which was a tax credit program which applied to the income tax, allowing lenders to make loans at below market rates, writing off the reduction in the actual charged rates on low income housing against their income tax. This provision was passed in 1989 and was allowed for ten years. Lending institutions needed to sell their portfolios to the secondary market and it was necessary that the tax credit ran for the full term of the mortgage. 184 REP. HOSTICKA inquired whether there was a requirement in the proposed legislation that the units carry an affordable rent for the life of the program. 220 DICK YATES explained HB 3467A which amended an existing tax credit. The purpose of the amendments was to make it more attractive to the lending institutions. He continued explanation of the proposed legislation, which would allow that government agencies could make loans as well as commercial banks. Any changes made now would be retroactive to January 1, 1990. Questions and discussion followed. TAPE 210, SIDE B 001 DICK YATES further reviewed HB 3467A, which required the lending institution to track who had the loan after each sale. The 15-year credit allowed under present law was unchanged, which would give a frame of 35 years over which a credit could be taken. There was also a provision for a penalty if the credit were misused. 035 Discussion followed regarding the life of the credits and how long the program would be enforced. 061 REP. HOSTICKA questioned the line of responsibility regarding receipt of the credit and imposition of a possible penalty. 093 STEVEN WESTFALL testified in support of HB 3467A. 095 CHAIR JONES asked how important was it to be able to sell the credit separate from the loan?

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109 STEVEN WESTFALL replied there had been no multi-unit family project since the federal government pulled away the subsidy. HB 3467A would provide the replacement by having rents that would be affordable. The process would not be usable without being able to sell the credit. The banks would be in a position of being able to sell the loan and the credit as it best met their needs. 141 Questions and discussion followed regarding the guidelines and responsibilities needed in the sale of the tax credit. 226 CHAIR JONES recessed the meeting at 9:24

a.m. and reconvened the meeting at 9:53 a.m. 233 LOUISE ANDERSON testified the tax credit had been beneficial in terms of maximizing public-private partnership for low income housing. The banks had not been able to sell the loans or the credits on the secondary market. The second problem was trying to structure a 20-year loan around a 10-year tax credit. ANDERSON further explained how her agency worked with the loans and explained how the changes in the proposed legislation would enable them to handle these loans more effectively. 336 DICK YATES explained the refinance possibilities under this legislation. 357 DON FORDYCE testified in support of HB 3467A, explaining that additional authority was needed because of the short term of the tax credit and the inability to sever a tax credit from a loan. TAPE 211. SIDE B 006 DON FORDYCE further explained need for the legislation in relation to the bank process. 052 Discussion followed regarding the application of the tax credit on the market. 109 DAVE BARROWS testified in support of HB 3467A. The legislation passed in 1989 had not been utilized because of the limitations on the tax credits, and therefore passage of the proposed legislation would be helpful. BARROWS suggested there would be more housing stock created in the low income area and more individuals would be able to participate. 138 REP. PARKINSON questioned whether a low income housing unit could be refinanced with these tax credits. 146 DAVE BARROWS replied an owner might financially need to upgrade his property, but by putting it through this program would continue to make it available to the low income tenant.

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance May 29, 1991 Page 5 176 Questions and discussion followed regarding whether this loan process could be used with mobile homes in a park situation. 206 JIM BROWN expressed concern with the sale of tax credits as there could be multiple sales over a period of time and be difficult to track. Questions and discussion followed. 294 JIM BROWN reported on the accumulative effect of the proposed tax credit system. Multiple sales of a tax credit would be allowed. The bill would provide a follow up through the reporting procedure following the tax credit, but would require other procedures to verify the information. TAPE 212 WAS FAULTY TAPE 213. SIDE A 007 JIM BROWN testified regarding the responsibility to report to the housing agency and the Department of Revenue which was given to the financial agencies. The legislation did not specify how the credit would be sold. 044 JIM BROWN referred to the triple penalty in Sec. 4, and explained the Department of Revenue's understanding of the application. 058 CHAIR JONES stated for the record that there were nodding heads in the room showing this interpretation was correct. 060 DON FORDYCE stated that if the tax credit would be part of the original financing to get the loan below market rate, there should be a transfer of the tax credit in the original contract, in which case the severability would be needed. A tax credit held by an entity would be an asset which could be transferred or sold in due course. The intent was to enable the process to work and enable the tax credit to be traced so there would be no collusion. 167 CHAIR JONES appointed Rep. Clarno and Rep. Hosticka, plus representatives of the banking community, as a sub-committee to study this issue and report back to full committee. This was the first time tax credits could be bought and sold and it was necessary to make sure the credits were used for the purpose they were intended. 294 REP. SCHOON observed that the State would not spend less with this program, but other people owning houses would make up the difference by paying higher rates. 218 Discussion followed.

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance May 29, 1991 Page 6 243 CHAIR JONES called a recess at 10:53 a.m. and reconvened the meeting at 11:06 a.m. WORK SESSION - HB 222 3 249 MOTION: Rep. Whitty moved HB 2223 to the floor with a do pass recommendation. 253 Rep. Whitty reviewed that HB 2223 adjusted the tax rate for trucks in line with cost responsibility figures. 296 VOTE: The motion passed with a roll call vote of 8-0. AYES: Representatives Clark, Clarno, Nelson, Parkinson, Schoon, Whitty, Burton, Hosticka, Jones. Excused: Representative Burton. 357 CHAIR DELNA JONES adjourned the meeting at 11:12 a.m.

Betty Shuholm, Committee Assistant Kimberly Taylor, Office Manager

EXHIBIT SUMMARY 1. Property Tax Exemptions for Housing Programs - HB 3141 2. Fiscal Analysis of HB 3141 3. H. Comm. on Housing & Urban Development - Staff Measure Summary - HB 3141 4. ORS 307.515 - HB 3141 5. Fiscal Analysis of HB 3467 6. Staff Measure Summary, Housing & Urban Development - HB 3467-A 7. Revenue Analysis - HB 2223-A -- 8. Testimony from Richie Weinman - HB 3416 9. Letter from Oregon State Building Council - HB 2223 These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.