

Senate Bill 244

Printed pursuant to Senate Interim Rule 213.28 by order of the President of the Senate in conformance with pre-session filing rules, indicating neither advocacy nor opposition on the part of the President (at the request of Governor John A. Kitzhaber, M.D., for Housing and Community Services Department)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Authorizes Housing and Community Services Department to use moneys in Housing Development and Guarantee Account for housing for persons with low or very low income.

Requires State Housing Council to adopt policy providing for distribution of General Housing Account moneys and investment revenue statewide with concentration in areas of state with greatest need for housing for persons with low or very low income.

A BILL FOR AN ACT

1
2 Relating to low income housing; amending ORS 458.610, 458.625, 458.630 and 458.665.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1.** ORS 458.610 is amended to read:

5 458.610. For purposes of ORS 458.600 to 458.665:

6 (1) "Council" means the State Housing Council established in ORS 456.567.

7 (2) "Department" means the Housing and Community Services Department established in ORS
8 456.555.

9 (3) "Low income" means [*individuals or households that receive*] **income that is** more than 50
10 percent and not more than 80 percent of the median family income for the area, subject to adjust-
11 ment for areas with unusually high or low incomes or housing costs, all as determined by the council
12 based on information from the United States Department of Housing and Urban Development.

13 (4) "Minority" means an individual:

14 (a) Who has origins in one of the black racial groups of Africa but who is not Hispanic;

15 (b) Who is of Hispanic culture or origin;

16 (c) Who has origins in any of the original peoples of the Far East, Southeast Asia, the Indian
17 subcontinent or the Pacific Islands; or

18 (d) Who is an American Indian or Alaskan Native having origins in one of the original peoples
19 of North America.

20 (5) "Organization" means a:

21 (a) Nonprofit corporation established under ORS chapter 65;

22 (b) Housing authority established under ORS 456.055 to 456.235; or

23 (c) Local government as defined in ORS 197.015.

24 (6) "Persons with disabilities" means persons with handicaps described in 42 U.S.C. 3602(h).

25 (7) "Very low income" means [*individuals or households that receive*] **income that is** 50 percent
26 or less of the median family income for the area, subject to adjustment for areas with unusually high
27 or low incomes or housing costs, all as determined by the council based on information from the
28 United States Department of Housing and Urban Development.

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

(8) "Veteran" has the meaning given that term in ORS 408.225.

SECTION 2. ORS 458.625 is amended to read:

458.625. (1) The Housing and Community Services Department may use the following to expand this state's supply of housing for *[low and very low income families and individuals]* **persons with a low or very low income**, including, but not limited to, housing for persons over 65 years of age, persons with disabilities, farmworkers and Native Americans:

(a) The amount of moneys credited to the Housing Development and Guarantee Account that the department determines may be used for the purposes identified in this subsection and that is not used for the purposes set forth in ORS 458.630; and

(b) The revenue earned from investment of the principal in the Housing Development and Guarantee Account.

(2) The department may use account moneys and account investment revenue for the following purposes:

(a) In the form of grants or loans as determined by the department:

(A) To assist organizations *[as defined in ORS 458.610]* and for-profit business entities in constructing new housing, or in acquiring or rehabilitating existing structures, *[or both,]* for housing for persons with **a low or very low** *[incomes, or both]* **income**.

(B) To provide nonprofit organizations, as set forth in ORS 458.210 to 458.240, with technical assistance or predevelopment costs*[, or both]*. Predevelopment costs include, but are not limited to, site acquisition, architectural services and project consultants. Predevelopment costs do not include costs described in subparagraph (C) of this paragraph.

(C) To pay for costs to develop nonprofit organizations that show sufficient evidence of having strong community support and a strong likelihood of producing housing for persons with **a low or very low** *[incomes]* **income**. Account moneys and account investment revenue may not be used by an organization for its general operations.

(D) To match public and private moneys available from other sources for production of housing for persons with **a low or very low** *[incomes]* **income**.

(b) To pay costs and expenses incurred in the administration of the account as provided for in the legislatively approved budget, as that term is defined in ORS 291.002, for the department.

(3) The department shall give preference in making grants or loans to those entities that the department determines will:

(a) Provide the greatest number of housing units for persons with **a low or very low** *[incomes]* **income** that are constructed, acquired or rehabilitated for the amount of account moneys and account investment revenue expended by matching account moneys and account investment revenue with other grant, loan or eligible in-kind contributions;

(b) Ensure the longest use for the units as housing for persons with **a low or very low** *[incomes]* **income**; or

(c) Include social services to occupants of the proposed housing, including but not limited to, programs that address home health care, mental health care, alcohol and drug treatment and post-treatment care, child care and case management.

(4)(a) Account investment revenue derived in any calendar year may be used to construct, acquire or rehabilitate housing for persons with **a low or very low** *[incomes]* **income** but not more than 25 percent of the account investment revenue may be used to construct, acquire or rehabilitate housing for persons with **a low** *[incomes]* **income**.

(b) Account moneys and account investment revenue not used by the department as grants or

1 loans to construct, acquire or rehabilitate housing for persons with a low or very low [*incomes*]
2 **income** may be retained and credited as account principal.

3 (5) The State Housing Council shall [*have*] **adopt** a policy that provides for distribution by the
4 department of account moneys and account investment revenue statewide while concentrating ac-
5 count moneys and account investment revenue in those areas of this state with the greatest need,
6 **as determined by the council**, for housing for persons with a low or very low [*incomes, as deter-*
7 *mined by the council*] **income**.

8 (6) The department may set interest rates on loans made with account moneys and account in-
9 vestment revenue.

10 **SECTION 3.** ORS 458.630 is amended to read:

11 458.630. (1)(a) The Housing and Community Services Department may hold and use the principal
12 that is credited to the Housing Development and Guarantee Account as the Guarantee Fund. The
13 department may use the fund to guarantee repayment of loans made to finance the construction,
14 development, acquisition or rehabilitation of [*low income housing, of*]:

15 **(A) Housing for persons with a low or very low income; or**

16 **(B)** The commercial component of a structure that contains both commercial property and [*low*
17 *income housing, or of both*] **housing for persons with a low or very low income**.

18 **(b)** The department, by rule, shall specify the grounds on which it may deny loan guarantees for
19 a structure that contains both [*commercial and low income housing components*] **housing for persons**
20 **with a low or very low income and a commercial component**. The grounds for denial specified
21 by the department must include, but need not be limited to, a commercial component that is exces-
22 sive in scope or that is designed for commercial activity of a type incompatible with residential
23 housing.

24 **(c)** The State Housing Council shall review loans that are guaranteed by the fund to ensure that
25 the loans meet prudent underwriting standards.

26 [*b*] **(d)** A guarantee may not be prepared or construed in such a manner as to violate the
27 provisions of [*section 7,*] Article XI, **section 7**, of the Oregon Constitution.

28 (2) The department may not issue any loan guarantee under this section that guarantees the
29 repayment of more than 50 percent of the original principal balance of any loan.

30 (3) The department may not issue a loan guarantee if the guarantee would cause the aggregate
31 dollar [*total*] **amount** of all loan guarantees issued by the department under this section to exceed
32 two times the total amount then in the Guarantee Fund established under subsection (1) of this
33 section. Notwithstanding ORS 458.625, whenever payouts on loan guarantees cause the fund princi-
34 pal to decrease by five percent or more, the interest on the fund shall be deposited only to the
35 principal account until the amount of the fund principal lost due to payouts on loan guarantees is
36 restored.

37 (4) Subject to council review under subsection (1) of this section, the department shall give
38 preference for loan guarantees under this section to loans [*for the construction, development, acqui-*
39 *sition or rehabilitation of low income housing, or of structures containing both commercial and low*
40 *income housing components,*] **described in subsection (1) (a) of this section** that the department
41 determines will:

42 (a) Provide the greatest number of [*low income*] housing units **for persons with a low or very**
43 **low income** constructed, acquired, developed or rehabilitated for the amount of guarantee allowed;

44 (b) Ensure the longest possible use for the units as [*low income*] housing units **for persons with**
45 **a low or very low income** [*. Pursuant to this end, the State Housing Council may adopt a formula*

1 *that optimizes the interests of the lender and the developer and the working life of the low income*
 2 *units*]; or

3 (c) Include a program of services for the occupants of the proposed housing including, but not
 4 limited to, programs that address home health care, mental health services, alcohol and drug treat-
 5 ment and post-treatment care, child care and case management.

6 (5) The council may adopt a policy that gives loan guarantee preference to loans for [*low*
 7 *income*] housing[,] or structures [*containing both commercial and low income housing components,*]
 8 **described in subsection (1)(a) of this section** for which the department has provided a grant, loan,
 9 tax credit or other investment.

10 **SECTION 4.** ORS 458.665 is amended to read:

11 458.665. (1) The Housing and Community Services Department shall administer the General
 12 Housing Account.

13 (2) The department shall disburse moneys credited to the account to accomplish the purposes
 14 described in ORS 456.515 to 456.725, except that 25 percent of moneys deposited in the account
 15 pursuant to ORS 294.187 is dedicated for expenditure to meet the critical housing needs of veterans
 16 in this state.

17 (3) The department may disburse moneys in the account by contract, grant, loan or otherwise
 18 as the department determines necessary.

19 (4) The department may set interest rates on loans made with moneys in the account.

20 (5) The department shall establish guidelines for the types of loans financed with moneys in the
 21 account by rule.

22 (6) The department may use moneys in the account to pay allowable administrative expenses
 23 incurred under ORS 456.515 to 456.725.

24 (7) The department may, in the director's discretion, return moneys received for deposit in the
 25 account to the original source of the moneys.

26 (8) The department may accept moneys for deposit in the account pursuant to ORS 458.620 (4)
 27 and enter into agreements regarding the use of moneys deposited with the original source of the
 28 moneys.

29 (9) The department shall adopt rules that[:],

30 [(a)] subject to subsection (2) of this section, govern the allocation of moneys deposited in the
 31 account to best meet critical housing needs and build organizational capacity of partners throughout
 32 this state[: and].

33 [(b) *Require equitable distribution of resources over time based on objective measures of need, in-*
 34 *cluding the number and percentage of low and very low income households in an area.*]

35 **(10) The State Housing Council shall adopt a policy that provides for distribution by the**
 36 **department of account moneys and account investment revenue statewide while concentrat-**
 37 **ing account moneys and account investment revenue in those areas of this state with the**
 38 **greatest need, as determined by the council, for housing for persons with a low or very low**
 39 **income.**