

# House Bill 2095

Introduced and printed pursuant to House Rule 12.00. Pre-session filed (at the request of Governor Kate Brown for Oregon Department of Housing and Community Services)

## 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**.

Aligns timing of extension of affordability restriction for publicly supported housing with timing for sending notices. Allows qualified purchasers to make offer upon delivery of first notice.

## A BILL FOR AN ACT

1  
2 Relating to publicly supported housing; creating new provisions; and amending ORS 456.250, 456.258,  
3 456.260, 456.262 and 456.263.

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

5 **SECTION 1.** ORS 456.250 is amended to read:

6 456.250. As used in this section and ORS 456.255 to 456.265:

7 (1) "Affordability restriction" means a limit on rents that a property owner may charge at a  
8 participating property or a limitation on the use of a participating property as set forth in a con-  
9 tract.

10 (2) "Contract" means a written agreement entered into by a property owner under which a  
11 participating property becomes publicly supported housing that is subject to an affordability re-  
12 striction. "Contract" includes, but is not limited to, a deed restriction, loan agreement, operating  
13 agreement or any other written agreement that results in an affordability restriction being placed  
14 on the property.

15 (3) "Local government" means a city, county, public corporation or metropolitan service district.

16 (4) "Participating property" means property that is the subject of a contract by which the  
17 property becomes publicly supported housing that is subject to an affordability restriction **and that**  
18 **is not eligible for withdrawal under ORS 456.262 (4).**

19 (5) "Property owner" or "owner" means the owner or long-term lessee of a participating prop-  
20 erty, **including a third-party purchaser of a property not eligible for withdrawal under ORS**  
21 **456.262 (4).**

22 (6)(a) "Publicly supported housing" means a multifamily rental housing development of five or  
23 more units that receives or benefits from government assistance under:

24 (A) A contract for rent assistance from the United States Department of Housing and Urban  
25 Development, the United States Department of Agriculture or the Housing and Community Services  
26 Department that contains an affordability restriction; or

27 (B) A contract that is for any other type of government assistance or subsidy that includes an  
28 affordability restriction and that is identified in rules adopted by the Housing and Community Ser-  
29 vices Department.

30 (b) "Publicly supported housing" does not include a multifamily rental housing development:

31 (A) For which the development or developer receives only a construction excise tax waiver, a

**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.

1 system development charge waiver, a fee waiver or a property tax abatement;

2 (B) That is part of an inclusionary housing program as defined by local government and au-  
 3 thorized under ORS 197.309;

4 (C) That receives tenant-based federal rent subsidy payments under the Housing Choice Voucher  
 5 Program authorized by 42 U.S.C. 1437f;

6 (D) That receives project-based rental assistance vouchers administered by a housing authority  
 7 under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f (o)(13)); or

8 (E) That receives tenant vouchers from the United States Department of Agriculture under  
 9 section 542 of the Housing Act of 1949 (42 U.S.C. 1471).

10 (7) “Qualified purchaser” means a local government entitled to [notice] **receive notices** under  
 11 ORS 456.260 [(2)], the Housing and Community Services Department or a designee appointed by the  
 12 department under ORS 456.262.

13 (8) [“Third-party offeror” or] “Third party” means a party that is not a qualified purchaser and  
 14 that has made an offer to purchase, or has purchased, a participating property from a property  
 15 owner.

16 **SECTION 2.** ORS 456.258 is amended to read:

17 456.258. (1) ORS 456.255 to 456.265 do not apply to or restrict the acquisition of property by:

18 (a) A government that acquires the participating property by eminent domain or a negotiated  
 19 purchase in lieu of eminent domain.

20 (b) A purchaser of the participating property in a foreclosure sale that terminates the  
 21 affordability restrictions.

22 (c) A purchaser of the participating property by a deed in lieu of foreclosure provided that the  
 23 contract restrictions are subordinate to the purchaser’s interest eligible for foreclosure and a notice  
 24 of the deed in lieu is provided to the Housing and Community Services Department by the purchaser  
 25 or property owner at least 30 days prior to the execution of the deed in lieu.

26 (2) ORS 456.255 to 456.265 may not be interpreted to allow a property owner to terminate or  
 27 breach a contract or to limit the rights of any tenant of a participating property or any other person  
 28 who may enforce an affordability restriction against the property owner.

29 (3) ORS 456.255 to 456.265 do not require any local government or the department to purchase  
 30 or condemn any property or to maintain the affordability restrictions of any property.

31 (4) Except as required by contract and ORS 456.255 to 456.265, a property owner may not take  
 32 any action during the contract term that would materially interfere with a qualified purchaser’s  
 33 ability to continue maintaining the participating property as publicly supported housing.

34 **(5) Publicly supported housing remains subject to affordability restrictions until the**  
 35 **property is eligible for withdrawal from publicly supported housing under ORS 456.262 (4) and**  
 36 **any contract requirements for the withdrawal of the property.**

37 [(5)] **(6)** The department shall adopt rules to implement ORS 456.255 to 456.265.

38 **SECTION 3.** ORS 456.260 is amended to read:

39 456.260. (1) The owner of a participating property shall [provide] **deliver** notice in a format  
 40 prescribed by the Housing and Community Services Department, including by electronic delivery or  
 41 by registered or certified mail, to each local government [entitled to notice] **within which the par-**  
 42 **ticipating property is located** and to the department no sooner than 36 months prior and at least  
 43 30 months prior to the date when:

44 (a) A contract term will expire, permitting the owner to withdraw the participating property  
 45 from publicly supported housing or limit affordability restrictions on the property; or

1 (b) The owner intends to withdraw the participating property from publicly supported housing.

2 [(2) *The property owner shall send a copy of the notice in subsection (1) of this section to each local*  
 3 *government within which the participating property is located.*]

4 **(2) The property owner shall deliver a second notice to each entity entitled to notice**  
 5 **under subsection (1) of this section, no sooner than 30 months prior and at least 24 months**  
 6 **prior to the withdrawal of the participating property from publicly supported housing, in-**  
 7 **cluding by an expiration of a contract term.**

8 (3) If [the] a notice is not delivered timely, the property owner shall extend the affordability  
 9 restriction on the participating property [for no less than 24 months after delivering the untimely  
 10 notice] **until no earlier than the latter of the date that is 30 months after delivery of the no-**  
 11 **tice under subsection (1) of this section or 24 months after delivery of the notice under sub-**  
 12 **section (2) of this section** and provide notice of the extension to the Housing and Community  
 13 Services Department and each local government that is entitled to notice under [subsection (2) of]  
 14 this section.

15 (4) A local government may:

16 (a) Establish and impose any fine, penalty, tax, fee, charge or assessment upon the owner of  
 17 participating property for failure to comply with local regulations adopted to implement the pro-  
 18 visions of [subsection (1)] **subsections (1) or (2)** of this section.

19 (b) Require an owner to refrain from disturbing tenancies, other than for cause as defined in the  
 20 contract, for a period of not more than 180 days after expiration of the contract or withdrawal of  
 21 the participating property from publicly supported housing if the local government pays, or arranges  
 22 for payment, to the owner on the first day of each month, the monthly subsidy that the owner was  
 23 receiving under the contract.

24 (c) Make application to the Housing and Community Services Department requesting that a lo-  
 25 cal subsidy program be included in the definition of publicly supported housing, as long as the pro-  
 26 gram otherwise complies with and is not excluded from the definition of publicly supported housing.

27 (5) Any notices [provided under subsection (1) of this section shall] **delivered under subsections**  
 28 **(1) or (2) of this section must** specify whether the owner:

29 (a) Intends to withdraw the participating property from publicly supported housing.

30 (b) Intends to convert the participating property to a nonparticipating use.

31 (c) Is involved in negotiations with the United States Department of Housing and Urban Devel-  
 32 opment, the Housing and Community Services Department or any other individual or entity regard-  
 33 ing an extension of an expiring contract.

34 **SECTION 4.** ORS 456.262 is amended to read:

35 456.262. [(1) *A property owner shall provide notice in a format prescribed by the Housing and*  
 36 *Community Services Department, including by electronic delivery or registered or certified mail, to each*  
 37 *local government entitled to notice under ORS 456.260 and to the department, no sooner than 30 months*  
 38 *prior and at least 24 months prior to any withdrawal of the participating property from publicly sup-*  
 39 *ported housing, including by an expiration of a contract.*]

40 [(2)] (1) [The] **After the owner of a participating property has delivered the notice under**  
 41 **ORS 456.260 (1), the Housing and Community Services** Department may appoint a designee to  
 42 act as purchaser of the participating property. The appointment becomes effective upon the depart-  
 43 ment delivering to the property owner notice of the appointment of a designee. The department must  
 44 consult with each local government where the property is located before appointing a designee un-  
 45 der this subsection. The department shall enter into a written agreement with the appointed

1 designee requiring that the designee and any of the designee’s successors or assigns:

2 (a) Agree to preserve the affordability of the participating property; and

3 (b) Assume all rights and responsibilities attributable to the department as a prospective pur-  
4 chaser of the participating property.

5 [(3)] (2) After the property owner has delivered the notice under [subsection (1) of this section]  
6 **ORS 456.260 (1)**, a qualified purchaser may deliver by certified mail, with return receipt requested,  
7 an offer to the property owner to purchase the participating property, which includes a notice that  
8 the qualified purchaser may, after 30 days, record a notice of right of first refusal under subsection  
9 [(4)] (3) of this section. A property owner is under no obligation to accept an offer made under this  
10 subsection.

11 [(4)] (3) At any time after a qualified purchaser has made an offer to purchase the participating  
12 property under subsection [(3)] (2) of this section and no later than two months before the owner  
13 may withdraw the property under subsection [(5)] (4) of this section, a qualified purchaser may re-  
14 cord in the real property records of the county, a notice of right of first refusal in a form prepared  
15 by the department that:

16 (a) Includes a legal description of the participating property;

17 (b) Attaches a copy of the notice delivered with the offer and proof of mailing of the notice as  
18 required by subsection [(3)] (2) of this section;

19 (c) Declares that the department or local government party acknowledging the instrument holds  
20 the right of first refusal to purchase the property under ORS 456.263 and that the acknowledging  
21 party may assign the right of first refusal to a qualified purchaser and that right may be, from time  
22 to time, reassigned;

23 (d) Declares that the right of first refusal shall expire 24 months after the date the property  
24 may be withdrawn from publicly supported housing under subsection [(5)] (4) of this section;

25 (e) Declares that a copy of the recorded notice of right of first refusal must be promptly deliv-  
26 ered to the property owner by the qualified purchaser offering the instrument for recording; and

27 (f) Is executed and acknowledged by the local government or department in the manner provided  
28 for the acknowledgment of deeds.

29 [(5)] (4) The property owner may **not** withdraw the participating property from publicly sup-  
30 ported housing and terminate the affordability restrictions [upon] **until** the latest of **the date**:

31 (a) [24] **Twenty-four** months following the owner’s delivery of all notices required under [sub-  
32 section (1) of this section] **ORS 456.260 (2)**;

33 (b) [30] **Thirty** months following the owner’s delivery of all notices required under ORS 456.260  
34 (1); or

35 (c) [Expiration of] **Upon which** all affordability [restrictions period] **restriction periods** set forth  
36 in any contract **expire**.

37 [(6)] (5) At any time after the notice described in [subsection (1) of this section has been  
38 provided] **ORS 456.260 (1) has been delivered**, within 30 days of the request from a qualified pur-  
39 chaser, the property owner shall make available documents that are relevant to the participating  
40 property at the property owner’s principal place of business or at a commercial photocopying facil-  
41 ity.

42 [(7)(a)] (6)(a) Notwithstanding the provisions of ORS 192.311 to 192.478 relating to public re-  
43 cords, the documents provided by the property owner to a qualified purchaser under subsection  
44 [(6)] (5) of this section are confidential and exempt from public inspection except with the written  
45 consent of the property owner or as ordered by a court.

1 (b) Notwithstanding paragraph (a) of this subsection, disclosure may be made to potential fund-  
 2 ing sources, regulatory agencies or agents or consultants of a qualified purchaser in connection with  
 3 a transaction between the property owner and a qualified purchaser under this section, subject to  
 4 appropriate confidentiality agreements.

5 **SECTION 5.** ORS 456.263 is amended to read:

6 456.263. (1) Before selling a participating property that is subject to a recorded notice of right  
 7 of first refusal under ORS 456.262 [(4)] (3) to a third party other than a qualified purchaser, a  
 8 property owner shall send notice of the owner's intent to accept a purchase offer by registered or  
 9 certified mail, with return receipt requested, to each party acknowledging under ORS 456.262  
 10 [(4)(f)] (3)(f) a notice of right of first refusal under ORS 456.262. The notice delivered under this  
 11 subsection must contain a copy of the third-party offer or the terms and conditions of the offer to  
 12 purchase that the owner intends to accept.

13 (2) A qualified purchaser shall have 30 days from the date the notice is mailed to exercise a  
 14 right of first refusal by delivering a matching offer to purchase the property by certified mail. The  
 15 matching offer must contain a commitment from the qualified purchaser to preserve the property  
 16 as affordable on terms determined by the Housing and Community Services Department. The prop-  
 17 erty owner shall accept the first matching offer the property owner receives from a qualified pur-  
 18 chaser under this section.

19 (3) A qualified purchaser's offer is a matching offer if it is on the same terms and conditions as  
 20 the third party's offer to purchase, except that a qualified purchaser's offer is considered a matching  
 21 offer notwithstanding a conflicting term that includes:

22 (a) An earnest money deposit that is no less than the least of the third-party offer, two percent  
 23 of the sales price or \$250,000.

24 (b) That the earnest money deposit is refundable until the earlier of 90 days or the date of  
 25 closing.

26 (c) That closing shall be scheduled at least 240 days after execution of the purchase agreement.

27 (d) Any nonmaterial term.

28 (e) Any other term that the property owner has agreed to waive.

29 (f) A commitment to maintain the affordability of the property required under subsection (2) of  
 30 this section.

31 (4) Subsection (1) of this section does not apply if:

32 (a) More than 24 months have elapsed since the participating property was eligible for with-  
 33 drawal from publicly supported housing under ORS 456.262 [(5)] (4);

34 (b) The property owner accepted a third party's offer to purchase the participating property  
 35 before January 1, 2020, and has provided documentation of the purchase agreement to the Housing  
 36 and Community Services Department;

37 (c) The third-party offeror agrees to affordability restrictions on the participating property, as  
 38 determined by the department, to ensure that the participating property remains publicly supported  
 39 housing; or

40 (d) Any additional situations as determined by the department by rule.

41 (5) A property owner that sells participating property to a third party shall certify that the  
 42 owner has complied with all provisions of this section and ORS 456.260 and 456.262. A certification  
 43 of compliance under this section shall:

44 (a) Be recorded in the real property records of the county in which the property is located;

45 (b) Contain a legal description of the property;

1 (c) Identify the property owner as the grantor; and

2 (d) Be acknowledged by the property owner in the manner required for acknowledgment of a  
3 deed.

4 **SECTION 6. The amendments to ORS 456.250, 456.258, 456.260, 456.262 and 456.263 by**  
5 **sections 1 to 5 of this 2021 Act apply to participating properties subject to an affordability**  
6 **restriction or contract that will, by its terms, terminate on or after 30 months following the**  
7 **effective date of this 2021 Act.**

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