

HB 2981 A STAFF MEASURE SUMMARY

House Committee On Housing and Homelessness

Action Date: 03/16/23

Action: Do pass with amendments and be referred to Ways and Means by prior reference.
(Printed A-Eng.)

Vote: 10-1-0-0

Yeas: 10 - Boice, Dexter, Fahey, Gamba, Hartman, Helfrich, Helm, Javadi, Levy E, Wright

Nays: 1 - Cate

Fiscal: Fiscal impact issued

Revenue: Revenue impact issued

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Meeting Dates: 1/31, 3/16

WHAT THE MEASURE DOES:

Directs Oregon Business Development Department (OBDD), in consultation with the Department of Land Conservation and Development and Oregon Housing and Community Services (OHCS), to provide grants and forgivable loans with terms of 40 years or less to local governments for infrastructure and public improvements supporting developers of moderate income housing. Allocates, for the biennium beginning July 1, 2023, \$20 million in General Fund moneys to OBDD for moderate income housing grants and forgivable loans. Defines, for purposes of this Act, “moderate income housing” as housing subject to an affordability restriction established in rule by OBDD for households earning between 60 and 120 percent of area median income (AMI). Directs OHCS to provide grants to one or more nonprofits for the development of a revolving loan fund supporting land acquisition and specified predevelopment costs for moderate income housing development projects. Clarifies loan terms and that eligible grant recipients must be tax-exempt, community development financial institutions supporting statewide affordable housing production. Allocates, for the biennium beginning July 1, 2023, \$20 million in General Fund moneys to OHCS for grants to support land and predevelopment costs for moderate income housing. Directs OHCS to provide grants to one or more nonprofits to guarantee repayment of loans financing the construction of moderate income housing. Allocates, for the biennium beginning July 1, 2023, \$20 million in General Fund moneys to OHCS for grants for moderate income housing loan guarantee funds. Repeals provisions of the measure on January 2, 2026. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Applicability of programs to middle income or “workforce” housing in addition to modular housing
- Targeted funding for middle income housing at 60-120 percent AMI
- Nonprofit with loan servicing capacity as fund administrator
- Funding gaps for developers building middle income housing
- Eligibility of both nonprofit and for-profit developers in accessing grant funds

EFFECT OF AMENDMENT:

Removes section related to modular housing production. Clarifies Oregon Business Development Department (OBDD) grants funds may be used for transportation or utility improvements or extensions, brownfield cleanup, or other needed infrastructure. Clarifies affordability restriction on moderate income housing funded by grants and loans is determined by OBDD in rule. Replaces OBDD with Oregon Housing and Community Services (OHCS) as administrator of grants supporting land and predevelopment costs for moderate income housing, and allocates \$20 million to OHCS for this purpose. Replaces OBDD with OHCS as administrator of moderate income housing construction loan guarantee funds, and allocates \$20 million to OHCS for this purpose.

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BACKGROUND:

According to the Department of Land Conservation and Development (DLCD), Oregon needs to develop more than 550,000 new housing units across income levels to accommodate 20 years of population growth and to account for current underproduction and the lack of units for people experiencing homelessness. DLCD estimates approximately 49 percent of this housing will require public subsidy. The department reported in its February 2021 Regional Housing Needs Analysis that moderate income housing, defined in statute as housing for income levels between 80 percent and 120 percent of area median income, currently comprises 17 percent of housing underproduction in Oregon. Underproduction is attributed to high land and construction costs, inadequate infrastructure, and limited local government capacity. Business Oregon's 2021 Equitable Economic Recovery Plan cites the lack of workforce (moderate income) housing as a top barrier to attracting workers who want to live near their place of employment.

House Bill 2981 A directs the Oregon Business Development Department to provide grants and forgivable loans to local governments to support developers of moderate income housing with infrastructure or public improvement funding. The measure specifies "moderate income households" earn between 60 percent and 120 percent of area median income. The measure directs Oregon Housing and Community Services (OHCS) to provide grants to eligible nonprofits to develop a revolving loan fund supporting land acquisition and specified predevelopment costs for moderate income housing development projects. It also directs OHCS to provide grants to nonprofits to guarantee repayment of loans financing the construction of moderate income housing. The measure allocates a total of \$60 million in General Fund moneys for the biennium beginning July 1, 2023 for the purposes described in the measure.