

Enrolled
House Bill 2096

Ordered printed by the Speaker pursuant to House Rule 12.00A (5). Pre-session filed (at the request of Governor Theodore R. Kulongoski for Housing and Community Services Department)

CHAPTER

AN ACT

Relating to housing; creating new provisions; and amending ORS 456.515, 456.539, 456.555, 456.571, 456.581, 456.593, 456.612, 456.615, 456.625, 456.630, 456.690, 456.705, 456.710, 456.715, 458.215 and 458.630.

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

SECTION 1. Sections 2 to 7 of this 2007 Act are added to and made a part of ORS chapter 62.

SECTION 2. (1) Sections 2 to 7 of this 2007 Act may be cited as the **Manufactured Dwelling Park Nonprofit Cooperative Corporation Act**.

(2) The purpose of sections 2 to 7 of this 2007 Act is to recognize the cooperative form of ownership by a nonprofit entity of an interest in real property consisting of a manufactured dwelling park.

(3) In the event of any conflict between sections 2 to 7 of this 2007 Act and other provisions of this chapter, sections 2 to 7 of this 2007 Act control.

SECTION 3. As used in sections 2 to 7 of this 2007 Act, unless the context requires otherwise:

- (1) "Manufactured dwelling" has the meaning given that term in ORS 446.003.
- (2) "Manufactured dwelling park" has the meaning given that term in ORS 446.003.
- (3) "Manufactured dwelling park nonprofit cooperative" means a cooperative corporation

that:

- (a) Is organized to acquire or develop, and to own, an interest in one or more manufactured dwelling parks that are primarily used for the siting of manufactured dwellings owned and occupied by members of the cooperative;
- (b) Limits the use of all income and earnings to use by the cooperative and not for the benefit or profit of any individual; and
- (c) Elects to be governed by sections 2 to 7 of this 2007 Act.

SECTION 4. (1) A cooperative organized under this chapter may elect to become a manufactured dwelling park nonprofit cooperative by stating that election in the articles of incorporation.

(2) A cooperative may not revoke an election made under subsection (1) of this section. A manufactured dwelling park nonprofit cooperative may dissolve as provided in this chapter.

SECTION 5. (1) A person may become a member of a manufactured dwelling park nonprofit cooperative if the person:

- (a) Is a natural person;
- (b) Owns a manufactured dwelling that is, or is to be, located in a manufactured dwelling park of the cooperative and occupied by the person;
- (c)(A) Pays the membership fee required by the cooperative; or
(B) Purchases a share of membership stock issued by the cooperative; and
- (d) Meets any additional membership qualifications established in the articles of incorporation or bylaws of the cooperative.

(2) A manufactured dwelling park nonprofit cooperative shall accept as a member any person who meets the qualifications described in subsection (1) of this section.

(3) Membership in a manufactured dwelling park nonprofit cooperative entitles the member to rent space for a manufactured dwelling in a manufactured dwelling park of the cooperative and to occupy the manufactured dwelling.

(4) A cooperative shall create or issue one membership or share of membership stock for each manufactured dwelling that is, or is to be, located in a manufactured dwelling park of the cooperative and occupied by the dwelling owner. A person may not own more than one membership or share of membership stock in the same cooperative. A membership or membership stock may not be issued or transferred to a person unless the person meets the qualifications for membership described in subsection (1) of this section.

(5) A cooperative shall issue memberships or shares of membership stock for a fee determined by the directors of the cooperative. The directors may periodically adjust the fee amount as provided in the articles of incorporation or bylaws of the cooperative. Except for periodic adjustments, the membership fee or membership stock price charged by the cooperative shall be the same for all members. A member may not sell, transfer or redeem a membership for more than the amount the member paid for the membership plus any adjustments approved by the directors to reflect cost-of-living increases.

(6) The articles of incorporation or bylaws of the cooperative shall establish the methods for accepting and terminating membership and for the sale, transfer or redemption of a membership or share of membership stock.

SECTION 6. (1) As used in this section, “debts, liabilities and obligations” includes, but is not limited to, the repurchase of each membership in the cooperative for the amount last charged by the cooperative as a membership fee or as the purchase price of membership stock.

(2) If a manufactured dwelling park nonprofit cooperative dissolves, after payment or provision for all debts, liabilities and obligations of the cooperative, the cooperative shall distribute the assets of the cooperative to:

- (a) Another manufactured dwelling park nonprofit cooperative;
- (b) An organization organized for a public or charitable purpose;
- (c) A religious corporation;
- (d) The United States;
- (e) This state;
- (f) A local government in this state;
- (g) A housing authority created under ORS 456.055 to 456.235; or
- (h) A person that is recognized as tax exempt under section 501(c)(3) of the Internal Revenue Code.

SECTION 7. (1) As used in this section, “business entity” has the meaning given that term in ORS 62.605.

(2) A manufactured dwelling park nonprofit cooperative may not:

- (a) Notwithstanding ORS 62.225, pay a dividend on stock to members.
- (b) Apportion, distribute or pay net proceeds or savings to members.

(c) Make payments in redemption or refund of capital credits or retains to an heir of a member.

(d) Merge with a business entity other than another manufactured dwelling park nonprofit cooperative.

(e) Convert to another type of business entity.

SECTION 8. Section 9 of this 2007 Act is added to and made a part of ORS 456.550 to 456.725.

SECTION 9. (1) Not more than 50 percent of the total amount of any financing provided by the Housing and Community Services Department for a particular housing development may be used to finance commercial, recreational, industrial, communal or educational facilities. Profits from incidental elements shall be applied to loans due under ORS 456.550 to 456.725.

(2) A limited dividend housing sponsor shall be restricted as to distribution of income and shall be regulated as to rents, charges, rate of return and methods of operation as the department determines necessary to carry out the purposes of ORS 456.550 to 456.725.

(3) Not more than 50 percent of the total amount of any financing provided by the department for a particular residential housing development may be used to finance nonhousing facilities.

(4) An insured or guaranteed residential loan need not be secured by a first mortgage on real property but, unless the loan is to a manufactured dwelling park nonprofit cooperative, shall be secured by a security interest of first priority. If the insured or guaranteed loan is to a manufactured dwelling park nonprofit cooperative, the loan shall be secured by a security interest of first or second priority.

SECTION 9a. The Department of Land Conservation and Development shall report to the Seventy-fifth Legislative Assembly in the manner described in ORS 192.245 regarding:

(1) The provision of sites for affordable housing development, including sites for manufactured dwelling parks or mobile home parks, as those terms are defined in ORS 446.003; and

(2) Proposals to streamline land use requirements relating to expansion of urban growth boundaries to provide affordable housing, manufactured dwelling parks and mobile home parks.

SECTION 10. ORS 456.515 is amended to read:

456.515. As used in ORS 456.515 to 456.725 and ORS chapter 458 unless the context requires otherwise:

(1) "Community Action Directors of Oregon" means an organization described in ORS 458.505.

(2) "Construction" includes, but is not limited to, new construction or moderate or substantial rehabilitation of existing structures or facilities.

(3) "Council" means the State Housing Council established under ORS 456.567.

(4) "Department" means the Housing and Community Services Department established under ORS 456.555.

(5) "Director" means the Director of the Housing and Community Services Department.

(6) "Disabled person" means a person who has a physical or mental impairment that substantially limits one or more major life activities.

(7) "Elderly household" means a household whose head is over the age of [58] 55, residing in this state, *who cannot obtain in the open market decent, safe and sanitary housing, including the costs of utilities and taxes, for 25 percent of the gross income of the household*.

(8) "Major life activity" includes but is not limited to self-care, ambulation, communication, transportation, education, socialization, employment and ability to acquire, rent or maintain property.

(9)(a) "Multifamily housing" means a structure or facility established primarily to provide housing that provides more than one living unit, and may also provide facilities that are functionally related and subordinate to the living units for use by the occupants in social, health, educational or recreational activities:

(A) For the elderly, including but not limited to individual living units within such structures, mobile home and manufactured dwelling parks and residential facilities licensed under ORS 443.400 to 443.455 and other congregate care facilities with or without domiciliary care.

(B) For disabled persons, including, but not limited to, individual living units within such structures, mobile home and manufactured dwelling parks and residential facilities licensed under ORS 443.400 to 443.455 and other congregate care facilities with or without domiciliary care.

(b) "Multifamily housing" does not include nursing homes, hospitals, places primarily engaged in recreational activities and single-family, detached dwellings, except manufactured dwellings situated in a mobile home and manufactured dwelling park.

(10) "Target population" means:

(a) Elderly households; or

(b) Disabled persons.

SECTION 11. ORS 456.539 is amended to read:

456.539. (1) The Housing and Community Services Department shall be the agency for the State of Oregon for the administration of the Elderly and Disabled Housing Fund. Except as otherwise provided in ORS 456.515 to 456.725 the provisions of ORS 456.515 to 456.725 are applicable to the administration of the Elderly and Disabled Housing Fund.

(2) The department is authorized to use the Elderly and Disabled Housing Fund to advance funds, by contract, grant, loan or otherwise, as provided by Article XI-I(2) of the Oregon Constitution to finance multifamily housing for elderly households, disabled persons and their family members and such other persons who reside therein as are necessary to maintain the housing or provide services or companionship for elderly households and disabled persons.

(3) In carrying out the provisions specified in Article XI-I(2) of the Oregon Constitution, the department shall, with the concurrence of the State Housing Council, adopt criteria for approval of projects proposed by qualified housing sponsors to finance multifamily housing for the target population and their family members and such other persons who reside therein as are necessary to maintain the housing or provide services or companionship for elderly households and disabled persons. The criteria shall:

(a) Assure that health, mental health and other supportive services as may be necessary to maintain elderly and disabled households living in the housing are available to the occupants onsite or in the community;

(b) Give priority to members of the target populations; and

(c) Allow occupancy by such family members or other persons as the department determines necessary to maintain the housing and provide services or companionship for elderly households and disabled persons.

(4) The department shall:

(a) Adopt criteria[, *including maximum income limitations not to exceed median family income,*] **consistent with the maximum household income restrictions in ORS 456.620 (4)** for approval of applications for financing the purchase by elderly households of ownership interests within a multifamily structure or facility. [*The criteria must include a requirement that the applicants obtain loan cancellation life insurance.*]

(b) Provide means for allocating funds to finance multifamily housing units for the target population and to establish limitations on the interest and fees to be charged on loans made by the department.

(c) Adopt rules necessary for efficient administration of the Elderly and Disabled Housing Fund.

(d) Adopt rules to assure that each of the target populations has access to a reasonable portion of the bond authority under ORS 456.515 to 456.725, and that a reasonable portion of the funds for elderly households is made available to finance the purchase by elderly households of ownership interests within multifamily housing structures or facilities.

(5) Loans made by the department under this section for the interim construction financing of multifamily housing shall be subject to the provisions of ORS 456.717.

SECTION 12. ORS 456.555 is amended to read:

456.555. (1) The Housing and Community Services Department is established.

(2) The department shall be under the supervision and control of a director who is responsible for the performance of the duties imposed upon the department. The Governor shall appoint the Director of the Housing and Community Services Department. The director shall hold office at the pleasure of the Governor. The person appointed as director shall be a person who, by training and experience, is well qualified to perform the duties of the office.

(3) The director shall receive such salary as may be provided by law, or, if not so provided, as may be fixed by the Governor. In addition to the salary of the director, the director shall, subject to the limitations otherwise provided by law, be reimbursed for all expenses actually and necessarily incurred by the director in the performance of official duties.

(4) The director may establish department divisions including but not limited to divisions for administration, housing programs and community services programs.

(5) The State Housing Council shall:

(a) With the advice of the director, set policy and approve or disapprove rules and standards for housing programs;

(b) Approve or disapprove loans, grants and other funding award proposals under ORS 456.561; and

(c) Carry out the provisions of ORS 456.571.

(6) The Community Action Directors of Oregon shall advise the department and the council on community services programs as determined by the director and as set forth in ORS 458.505.

(7) The director shall report regularly to the council to keep the council informed on progress made by the department in carrying out the department's responsibilities for housing programs.

(8) The department may adopt rules to carry out the programs that the department is charged with administering, including, but not limited to, rules regarding:

(a) Administration and enforcement.

(b) Criteria for the granting of benefits.

(c) The establishment of fees **and charges**.

(d) The identification of housing programs and community services programs.

(e) The distinguishing of housing programs from community services programs.

(9) Subject to the approval of the council, the department shall establish by rule a threshold property purchase price above which a single-family home ownership loan proposed by the department requires council review and approval under ORS 456.561. In establishing or modifying a threshold property purchase price under this subsection, the department shall consider any maximum acquisition cost set forth in the Internal Revenue Code or federal rules and regulations implementing the code.

SECTION 13. ORS 456.571 is amended to read:

456.571. (1) The State Housing Council shall, with the advice of the Director of the Housing and Community Services Department, develop policies to aid in stimulating and increasing the supply of housing for persons and families of lower income.

(2) The council shall make special effort to respond to both private and public actions that may raise the cost of the housing supply in the open market, as the open market is the source of housing for the preponderance of lower income households.

(3) The council is responsible for studying and commenting upon, and advising, the department, Governor, Legislative Assembly, other state agencies and local governments concerning local, state and federal legislation or rules that affect the cost and supply of housing, both before and after the legislation and rules are enacted. For purposes of this subsection, "legislation or rules that affect the cost and supply of housing" includes but is not limited to legislation or rules that would:

(a) Provide financing for the construction or rehabilitation of housing;

(b) Subsidize new or existing housing costs for lower income households by income support, tax credit, or support service methods;

(c) Regulate the division of land;

(d) Regulate the use of land;

- (e) Regulate building construction standards;
- (f) Regulate fees **and charges** for inspection services, permits, or professional services related to housing;
- (g) Encourage alternatives that increase housing choices;
- (h) Create or avert overlapping jurisdictional functions and the concomitant increased costs that are reflected in housing prices;
- (i) Create or avoid conflicting state and federal regulations that deprive lower income households of assistance; and
- (j) Help or hinder compliance with the housing goals established by the Land Conservation and Development Commission under ORS 197.240.

(4) The council, with the approval of the Governor, may initiate legal proceedings in the name of the council to further the council's purposes under this section.

(5) The council shall exercise the responsibilities and powers of the council in a manner that expedites the acquisition, construction, improvement or rehabilitation of housing.

SECTION 14. ORS 456.581 is amended to read:

456.581. The Mobile Home Parks Purchase Account established in ORS 456.579 shall be used by the Housing and Community Services Department to provide:

(1) Technical assistance to tenants' associations, **manufactured dwelling park nonprofit cooperatives and** tenants' association supported nonprofit organizations and to facility purchase associations, as defined in ORS 90.100, [to assist] **and to help** tenants in activities related to the purchase **or preservation** of a mobile home [and] **park or** manufactured dwelling park by a tenants' association, **manufactured dwelling park nonprofit cooperative**, tenants' association supported nonprofit organization or facility purchase association.

(2) By rule, loans for initial costs for purchasing a mobile home [and] **park or** manufactured dwelling park [predominantly occupied by] **that the department determines has a significant percentage of residents who are persons of** lower income [persons]. Loans provided under this section may be made only if the department is of the opinion that the purchase is economically feasible and only to:

(a) A tenants' association, **manufactured dwelling park nonprofit cooperative** or a tenants' association supported nonprofit organization; or

(b) A facility purchase association established pursuant to ORS 90.815 that includes more than 50 percent of the tenants residing in the park.

SECTION 15. ORS 456.593 is amended to read:

456.593. (1) As used in this section, unless the context requires otherwise, "city" means any city with a population of 300,000 or more.

(2) Notwithstanding any of the provisions of ORS 456.550 to 456.725 to the contrary:

(a) Of the \$2.5 billion bond authorization under ORS 456.661, the aggregate principal amount of not to exceed \$30 million is to be made available exclusively for making or participating in making residential loans for detached single-family homes, including lots described in ORS 92.840, in any city.

(b) The bonds under paragraph (a) of this subsection may be sold as a part of the Housing and Community Services Department's overall nongeneral obligation bond issues under ORS 456.550 to 456.725, or separate issues totaling no more than \$30 million in an aggregate principal amount may be sold by the department as required and requested by a city. The bonds need not be identified by individual loans or transactions but may include any number of individual loans or transactions or purposes within any single issue.

(c) The department may use moneys received under paragraph (b) of this subsection to purchase, service, sell and make commitments to purchase, service and sell residential loans meeting all of the requirements of this paragraph. The loans must be:

(A) Originated by private lending institutions or any individual or organization authorized by law to make those loans, for residential housing;

(B) For owner-occupied detached single-family housing, which may include but is not limited to lots described in ORS 92.840;

(C) For properties located within an area of a city where the median income is below the city's median family income; and

(D) To persons whose annual income for the current and the immediately preceding year does not exceed 105 percent of the prevailing median income for families within that city.

(d) Areas eligible under paragraph (c) of this subsection shall be identified by ordinance of the governing body of that city. That city shall have sole discretion to designate one or more of those areas, and the proportionate or approximate actual amount of single-family residential loans to be made in those areas.

(e) Fees or [service] charges pursuant to ORS 456.625 (3) shall be [charged] **assessed** or collected in connection with, or for, any loan, advance, insurance, loan commitments or servicing, by the department under this section only after consultation with the city.

SECTION 16. ORS 456.612 is amended to read:

456.612. The Legislative Assembly finds and declares that the primary purpose of financing by the Housing and Community Services Department is to provide affordable housing for persons and families of lower income [or very low income].

SECTION 17. ORS 456.615 is amended to read:

456.615. As used in ORS 456.550 to 456.725, unless the context requires otherwise:

(1) "Bonds" means any bonds, notes or other evidence of indebtedness, including notes or other evidence of indebtedness issued in anticipation of the issuance of bonds and payable from the proceeds of bonds issued, issued under ORS 456.515 to 456.725.

(2) "Capital reserve account" or "capital reserve accounts" means one or more of the special trust accounts that may be established by the Housing and Community Services Department within the Housing Finance Fund.

[(3)] "*Housing finance bond declaration*" means a written instrument signed by the Director of the Housing and Community Services Department and on file with and bearing the certificate of approval of the State Treasurer, and all housing finance bond declarations supplemental thereto.]

[(4)] (3) "Consumer housing cooperative" means a cooperative corporation formed under ORS chapter 62 and whose articles of incorporation provide, in addition to the other requirements of ORS chapter 62, that:

(a) The consumer housing cooperative has been organized exclusively to provide housing facilities for persons and families of lower income and such social, recreational, commercial and communal facilities as may be incidental to such housing facilities.

(b) All income and earnings of the consumer housing cooperative shall be used exclusively for consumer housing cooperative purposes and that no unreasonable part of the net income or net earnings of the cooperative shall inure to the benefit or profit of any private individual, firm, corporation, partnership or association.

(c) The consumer housing cooperative is in no manner controlled or under the direction of or acting in the substantial interest of any private individual, firm, corporation, partnership or association seeking to derive profit or gain therefrom or seeking to eliminate or minimize losses in any transaction therewith, except that such limitation shall apply to the members of the cooperative only to the extent provided by rules of the department.

(d) The operations of the consumer housing cooperative may be supervised by the department and that the consumer housing cooperative shall enter into such agreements with the department as the department may require to provide regulation by the department of the planning, development and management of any housing project undertaken by the cooperative and the disposition of the property and other interests of the cooperative.

[(5)] (4) "Development costs" means the costs that have been approved by the department as appropriate expenditures and includes, but is not limited to:

(a) Payments for options to purchase property for the proposed housing project site, deposits on contracts of purchase, payments for the purchase of property as approved by the department,

legal, organizational and marketing expenses including payment of attorney fees, managerial and clerical staff salaries, office rent and other incidental expenses, payment of fees for preliminary feasibility studies, advances for planning, engineering and architectural work;

(b) Expenses for surveys as to need and market analyses; and

(c) Such other expenses incurred by the qualified housing sponsor as the department may deem necessary under ORS 456.550 to 456.725.

[(6)] *“Elderly” means a person or a family whose head of the household is 58 years of age or older, residing in the state, whose income is below the level that the department has determined to be necessary in order to obtain in the open market decent, safe and sanitary housing, including the costs of utilities and taxes, for 25 percent of the gross income of the household.*]

[(7)] (5) “Federally insured security” means an evidence of indebtedness insured or guaranteed as to repayment of principal and interest by the United States or an agency or instrumentality thereof.

[(8)] (6) “Housing development” means a development that contains housing units for persons or families of lower income and such other incidental elements of residential, commercial, recreational, industrial, communal or educational facilities as the department determines improve the quality of the development as it relates to housing for persons or families of lower income and the financial feasibility of the development. *[Not more than 50 percent of the total amount of any financing provided by the department for a particular development may be used to finance commercial, recreational, industrial, communal or educational facilities. Profits from incidental elements shall be applied to loans due under ORS 456.550 to 456.725.]*

(7) **“Housing finance bond declaration” means a written instrument signed by the Director of the Housing and Community Services Department and on file with and bearing the certificate of approval of the State Treasurer, and all housing finance bond declarations supplemental to that instrument.**

[(9)] (8) “Housing Finance Fund” means the Housing Finance Fund established in ORS 456.720 (1).

[(10)] (9) “Lending institution” means any bank, mortgage banking company, trust company, savings bank, savings and loan association, credit union, national banking association, federal savings and loan association or federal credit unit maintaining an office in this state, or any insurance company authorized to do business in this state.

[(11)] (10) “Limited dividend housing sponsor” means a corporation, trust, partnership, association[,] or other entity, or an individual. *Such* **that is a mortgagor.** *[shall be restricted as to distribution of income and shall be regulated as to rents, charges, rate of return and methods of operation as the department determines necessary to carry out the purposes of ORS 456.550 to 456.725.]*

[(12)] *“Lower income families or persons” means the elderly and families and persons, residing in this state, whose income is below the level that the department has determined to be necessary in order to obtain in the open market decent, safe and sanitary housing, including the costs of utilities and taxes, for 25 percent of the gross income of such family or person. The term may also include other families or persons where the assistance provided is determined by the director to be incidental to the accomplishment of the department’s programs for lower income families or persons. The department, in cooperation with affected local governments, shall determine what constitutes “decent, safe and sanitary housing.”*

(11) **“Manufactured dwelling park nonprofit cooperative” has the meaning given that term in section 3 of this 2007 Act.**

[(13)] (12) “Manufactured housing” means a dwelling unit manufactured off-site having a minimum width of 10 feet and a minimum area of 400 square feet built on a permanent chassis and designed to be used for permanent residential occupancy whether or not on a permanent foundation, and that contains permanent eating, cooking, sleeping and sanitary facilities and meets such standards as the department determines, by rule, are reasonable to maintain the quality, safety and durability of the dwelling, the sanitary requirements of the communities in which they are located and the security of the loans that the department may finance for the purchase of the dwellings.

[(14)] **(13)** “Nonprofit housing corporation” means an organization formed under ORS chapter 65 and whose articles of incorporation provide, in addition to the other requirements of ORS chapter 65, that:

(a) The corporation has been organized exclusively to provide housing facilities for persons and families of lower income and such other social, recreational, commercial and communal facilities as may be incidental to such housing facilities.

(b) All the income and earnings of the corporation shall be used exclusively for corporation purposes and that no part of the net income or net earnings of the corporation may inure to the benefit of any private individual, firm, corporation, partnership or association.

(c) The corporation is in no manner controlled or under the direction or acting in the substantial interest of any private individual, firm, partnership or association seeking to derive profit or gain therefrom or seeking to eliminate or minimize losses in transactions therewith.

(d) The operations of the corporation may be supervised by the department and that the corporation shall enter into such agreements with the department as the department may require to regulate the planning, development and management of any housing project undertaken by the corporation and the disposition of the property and other interests of the corporation.

(14) “Person of lower income” or “family of lower income” means:

(a) A person or family residing in this state whose income is not more than 80 percent of area median income, adjusted for family size, as determined by the State Housing Council based upon information from the United States Department of Housing and Urban Development;

(b) A person or family residing in this state whose income, adjusted for family size, is below the level the Housing and Community Services Department has determined to be necessary in order to obtain in the open market decent, safe and sanitary housing, including the cost of utilities and taxes, for not more than 25 percent of the gross income of the person or family; or

(c) Any person or family the department determines is appropriate to treat as a person of lower income or a family of lower income incidental to the accomplishment of department programs for persons and families of lower income described in paragraphs (a) and (b) of this subsection.

(15) “Project cost” or “costs of the project” means the sum of all reasonable expenses incurred by a qualified housing sponsor in undertaking and completing a housing project approved by the department. “Project costs” or “costs of the project” include but are not limited to the expenses incurred by a qualified housing sponsor for:

(a) Studies and surveys;

(b) Plans, specifications, architectural and engineering services;

(c) Legal, organizational and other special services;

(d) Financing, acquisition, demolition, construction, equipment and site development of new and rehabilitated housing units;

(e) Movement of existing buildings to new sites; the cost of acquisition, or estimated fair market value, of land and other interests in real estate;

(f) Rehabilitation, reconstruction, repair or remodeling of existing buildings;

(g) Estimated carrying charges during construction and for a reasonable period thereafter;

(h) Placement of tenants or occupants and relocation services in connection with the housing project;

(i) Reasonable builder’s or sponsor’s profit and risk allowance; and

(j) Development costs not otherwise included in this subsection.

(16) “Qualified housing sponsor” includes, subject to the approval of the department[,];

(a) A consumer housing cooperative[,];

(b) A limited dividend housing sponsor[,];

(c) A nonprofit housing corporation[,];

(d) A for-profit housing sponsor including, but not limited to, an individual operating in compliance with the criteria adopted by the department under ORS 456.620 (1)[,];

(e) A housing authority created by ORS 456.075[,];

(f) An urban renewal agency created by ORS 457.035; and

(g) Any city or county governing body or agency or department designated by the governing body.

(17) “Residential housing” means a specific work or improvement within this state undertaken primarily to provide dwelling accommodations, including land development and acquisition, construction or rehabilitation of buildings and improvements thereto, for residential housing, and such other nonhousing facilities as may be incidental or appurtenant thereto and as the department determines improve the quality of the development as it relates to housing for persons or families of lower income and the financial feasibility of the development. *[Not more than 50 percent of the total amount of any financing provided by the department for a particular development may be used to finance nonhousing facilities.]* “Residential housing” includes, but is not limited to, a specific work or improvement within this state undertaken to provide mobile home or manufactured dwelling parks as defined in ORS 446.003. As used in this subsection, “land development” includes, but is not limited to, the improvement of streets and alleys and the construction of surface drains, sewers, curbing and sidewalks.

(18) “Residential loan” means **any of the following**:

(a) A loan **that is** for the acquisition, construction, improvement or rehabilitation of residential housing and, if the loan is for acquisition or construction of residential housing, that is secured by a first lien on real property located in the state and:

(A) Improved by a newly constructed, existing or rehabilitated residential structure for *[lower income]* persons or families **of lower income**[,]; or

(B) Unimproved if the proceeds of such loan shall be used for the erection of a residential structure thereon, whether or not such loan is insured or guaranteed by the United States or any instrumentality or agency thereof.

(b) *["Residential loan" includes]* An insured or *[guaranteed loan for the acquisition of manufactured housing or for the acquisition of a lot described in ORS 92.840 by a manufactured dwelling park tenant. [The insured or guaranteed loan need not be secured by a first mortgage on real property but shall be secured by a security interest of first priority. "Residential loan" also includes]*

(c) A loan for the purchase of a proprietary lease and related cooperative shares in a housing cooperative formed under ORS chapter 62 secured by a security interest of first priority and a pledge or an assignment of proprietary leases and related cooperative shares.

(19) “Revolving account” means the Housing and Community Services Department Revolving Account created in ORS 456.574.

SECTION 18. ORS 456.625 is amended to read:

456.625. The Housing and Community Services Department may:

(1) Undertake and carry out studies and analyses of housing needs within the state and ways of meeting such needs and make the results of such studies and analyses available to the public, qualified housing sponsors and the private housing sector.

(2) Prepare proposals on measures it considers necessary to address administration, housing programs or community services programs.

(3) With the approval of the State Housing Council, *[charge]* **assess** fees, **charges** or interest in connection with housing programs.

(4) Encourage community organizations to assist in initiating housing projects for persons and families of lower income.

(5) Encourage the salvage of usable housing scheduled for demolition or dislocation because of highway, school, urban renewal or other public projects by seeking authority for the public agencies involved in such programs to use the funds provided for the demolition or relocation of such buildings to enable qualified housing sponsors to relocate and rehabilitate such buildings for use by persons and families of lower income.

(6) Encourage research and demonstration projects to develop techniques and methods for increasing the supply of adequate, decent, safe and sanitary housing for persons and families of lower income.

(7) Make or participate in the making of residential loans to qualified individuals or housing sponsors to provide for the acquisition, construction, improvement, rehabilitation or permanent financing of residential housing or housing development; undertake commitments to make residential loans; purchase and sell residential loans at public or private sale; modify or alter such mortgages or loans; foreclose on any such mortgage or security interest or commence any action to protect or enforce any right conferred upon the department by any law, mortgage, security, agreement, contract or other agreement and to bid for and purchase property that is subject to such mortgage or security interest at any foreclosure or other sale; acquire or take possession of any such property and complete, administer, conserve, improve and otherwise use the property to accomplish the department's purposes, pay the principal and interest on any obligations incurred in connection with such property and dispose of such property in such manner as the department determines necessary to protect its interests under ORS 456.515 to 456.725 and ORS chapter 458.

(8) Unless specifically exempted by the State Treasurer, deposit with the State Treasurer any funds held in reserve or sinking funds under ORS 456.515 to 456.725 and ORS chapter 458 and any other moneys not required for immediate use or disbursement by the department, subject to the provisions of any agreement with holders of bonds entered into prior to October 15, 1983.

(9) Advise and assist in the creation of any nonprofit housing corporation, consumer housing cooperative or limited dividend housing sponsor and give approval of the articles of incorporation and bylaws of any such organization in carrying out ORS 456.515 to 456.725.

(10) Cooperate with and exchange services, personnel and information with any federal, state or local governmental agency.

(11) Contract for the services of and consultation with professional persons or organizations, not otherwise available through federal, state or local governmental agencies, in carrying out ORS 456.515 to 456.725 and ORS chapter 458.

(12) Contract for, act on or perform any other duties that the department considers necessary or appropriate to carry out housing programs and community services programs.

(13) Purchase, service, sell and make commitments to purchase, service and sell residential loans to the extent permitted by ORS 456.635 and 456.640 (1) to (3).

(14) Initiate or assist appropriate state agencies, governmental bodies and public or private housing sponsors in the development, construction, acquisition, ownership, leasing, rehabilitation or management of housing to carry out the purposes of ORS 456.515 to 456.725 and ORS chapter 458 where such housing is not otherwise affordable or available in the area.

(15) Execute and record written instruments that contain terms, including but not limited to restrictive covenants or equitable servitudes, pertaining to the use and enjoyment of housing projects. Notwithstanding any other provision of law, the executed instruments shall constitute and create restrictive covenants affecting and running with the property according to the terms of the instruments when recorded in the records of the county where the property is located. County clerks shall accept the instruments for recording when presented by or on behalf of the department.

(16) Subject to the provisions of any agreement then existing with bondholders, make available funds by contract, grant, loan or otherwise, including loan guarantees, insurance or other financial leveraging techniques, from moneys made available by the department to carry out the purposes of ORS 456.515 to 456.725, if such moneys are not needed for the operations of the department or otherwise determined by the director to be a necessary or prudent reserve.

SECTION 19. ORS 456.630 is amended to read:

456.630. The Housing and Community Services Department may provide [to] qualified housing sponsors and lending institutions [such] **with** advisory, consultative training and educational services as necessary [*in assisting such*] **to assist those** sponsors. [*Such*] **For purposes of this section,** advisory and other services include, but are not limited to[,];

(1) Technical and professional planning assistance[,];

(2) Technical assistance for forming and operating manufactured dwelling park nonprofit cooperatives;

(3) Preparation and promulgation of organizational planning and development guidelines[,];

(4) Consultation services[,];

(5) Training courses, seminars and lectures; and

(6) Other services or materials for assistance of [*such*] **qualified housing** sponsors in the planning, development and management of housing projects under ORS 456.550 to 456.725.

SECTION 20. ORS 456.690 is amended to read:

456.690. (1) Upon a finding made by the State Housing Council that the supply of funds available through lending institutions for the financing of residential loans for the acquisition, construction, improvement or rehabilitation of housing units, **manufactured dwellings, manufactured dwelling parks, manufactured dwelling park nonprofit cooperatives** or housing projects for persons and families [*of lower income*] **whose income does not exceed maximum household income limits established by the Housing and Community Services Department under ORS 456.620 (4)** is inadequate, the [*Housing and Community Services*] department may make loans to lending institutions in this state for the purpose of providing funds to such institutions for the financing of residential housing units, **manufactured dwellings, manufactured dwelling parks, manufactured dwelling park nonprofit cooperatives** or housing projects, for persons and families [*of lower income*] **whose income does not exceed maximum household income limits established by the department under ORS 456.620 (4).**

(2)(a) The department, subject to existing agreements with bondholders, may make privately or federally insured or guaranteed loans for **the** rehabilitation or improvement of existing single-family homes for [*lower income*] persons and families **of lower income, manufactured dwellings for persons and families of lower income or manufactured dwelling parks and manufactured dwelling park nonprofit cooperatives that the department determines have a significant percentage of residents who are persons of lower income,** if the department finds that:

(A) The supply of funds available through private lending institutions for that purpose is inadequate; and

(B) The housing may be rehabilitated or improved to provide adequate, safe and sanitary residential housing.

(b) The department may cooperate with qualified housing sponsors in the development and implementation of such loan programs. Loans made by the department under this subsection shall be made for single-family homes.

(3) Prior to the making of any loan under this section, the department, with the approval of the council, shall adopt rules governing the making of such loans, including but not limited to:

(a) Procedures for the submission, review and approval of requests for loans under this section.

(b) Standards and requirements for the allocation of loan moneys available among eligible borrowers and the determination of the terms, conditions and interest rates for such loans.

(c) Limitations, if any, on the number of housing units or projects, type of housing units or projects and any other characteristics for the eligibility of housing units or projects for such financing.

(d) Restrictions, if any, on the interest rates to be charged by lending institutions on loans made from such loan proceeds and the return to be realized by the lending institution therefrom.

(e) Commitment requirements applied to residential mortgage financing by lending institutions from the proceeds of such loans.

(f) Schedules of fees and [*other*] charges to be made by the department in accepting, reviewing and acting upon applications for loans under this section.

(4) The department shall administer the loan program for rehabilitation or improvement of existing single-family homes for [*lower income*] persons and families **of lower income** in accordance with the following requirements and loan criteria:

(a) Eligibility for a loan shall be based on current department income limitations.

(b) A loan may be assumed only by another [*lower income*] person **of lower income.**

- (c) The single-family home for which a loan is made must be owner-occupied.
 - (d) The maximum principal amount of a single loan is \$15,000.
 - (e) An eligible borrower shall have only one loan outstanding under this program at any one time.
 - (f) An eligible improvement including, but not limited to, a remodeling project shall be defined by rule and the provisions of the Revenue Adjustments Act of 1980 (Public Law 96-499), as adopted December 5, 1980, shall be recognized in that definition.
 - (g) Loans shall be made in accordance with a distribution of population between urban and rural areas that takes the availability of alternative resources into account.
 - (h) The department shall work with qualified housing sponsors whenever it is appropriate to do so.
- (5) All loans made and all rules adopted under this section shall be designed by the department, with the approval of the council, to expand the supply of funds available in this state for the financing of residential housing units, **manufactured dwellings, manufactured dwelling parks, manufactured dwelling park nonprofit cooperatives** and housing projects, for persons and families *[of lower income]* **whose income does not exceed maximum household income limits established by the department under ORS 456.620 (4)**, to provide an adequate supply of safe and sanitary units of such housing, and to promote the effective participation of conventional lending institutions in the financing of such housing and restrict the financial return and benefit to such lenders to that which is necessary and reasonable to induce their participation under this section.
- (6) In making loans under this section, the department, with the approval of the council, may prescribe such terms, conditions, maturity dates and interest rate provisions as it considers necessary.

SECTION 21. ORS 456.705 is amended to read:

456.705. *[With respect to]* **For** the servicing of any residential, **manufactured dwelling, manufactured dwelling park or manufactured dwelling park nonprofit cooperative** loan made or acquired by the Housing and Community Services Department under ORS 456.515 to 456.725 and ORS chapter 458 the department may:

- (1) Provide for servicing of the *[residential]* loan by its own staff.
- (2) Contract with the Director of Veterans' Affairs for the performance of servicing functions for the *[residential]* loan.
- (3) *[With respect to residential]* **For** loans purchased by the department under ORS 456.635, contract with the lending institution selling such loans or any other lending institution for the servicing of such loans, subject to such terms and conditions as the department considers necessary to protect the interests of the department in such loans. The department may provide for the payment of such fees for servicing performed by a lending institution under this subsection as it considers necessary.

SECTION 22. ORS 456.710 is amended to read:

456.710. (1) The Housing and Community Services Department may use moneys in the revolving account to make noninterest-bearing advances to qualified nonprofit housing sponsors or interest-bearing advances to other qualified housing sponsors for use in payment by such sponsors of the development costs of proposed housing units or projects. The department may not make any advance under this subsection unless the department may reasonably anticipate that a residential, **manufactured dwelling, manufactured dwelling park or manufactured dwelling park nonprofit cooperative** loan may be obtained by the qualified housing sponsor for the permanent financing of the proposed housing unit or project.

(2) The proceeds of any advance granted by the department under subsection (1) of this section may be used by the qualified housing sponsor only for the development costs of a proposed housing unit or project or housing development. Each advance so granted shall be repaid in full, by the qualified housing sponsor for which the advance was granted, to the department at the time of the receipt by the housing sponsor of the portion of the *[residential]* loan paid under the initial indorsement of the *[residential]* loan, unless the department extends the repayment period. *[In no event shall the time of repayment be extended beyond the date of the receipt by]* **The department may not**

extend the repayment period past the date the qualified housing sponsor [of] **receives** the portion of the [residential] loan paid on final indorsement of the [residential] loan.

SECTION 23. ORS 456.715 is amended to read:

456.715. (1) The Housing and Community Services Department may insure residential, **manufactured dwelling, manufactured dwelling park and manufactured dwelling park nonprofit cooperative** loans or obtain reinsurance on such loans. [However,] All such loans shall be used only to provide residential housing for persons and families of lower income and the insured must agree to any restrictions placed upon such residential housing by the department. The department may establish dedicated accounts within the Housing Finance Fund to provide reserves against losses in connection with that insurance.

(2) All applications for residential loan insurance under subsection (1) of this section shall be made on such forms and accompanied by such application fee as the department may prescribe.

(3) The department shall notify the applicant of its [findings] **determinations** and the approval or denial of the application.

(4) Notwithstanding subsection (1) of this section, the department may insure loans for manufactured dwelling units, manufactured dwelling parks and manufactured dwelling park nonprofit cooperatives if the department determines that the unit, park or cooperative has a significant percentage of residents who are persons of lower income.

SECTION 24. ORS 458.215 is amended to read:

458.215. The Housing and Community Services Department may establish a program to build local capacity to address any or a combination of the following:

(1) Housing needs of people, with low or moderate incomes, for homeownership and affordable rental housing;

(2) The problem of abandoned houses;

(3) The need for adequate housing for seasonal farm laborers;

(4) Housing problems for low and moderate income elderly and disabled persons;

(5) The need to incorporate social service programs as a component of community economic development; [and]

(6) The preservation of manufactured dwelling parks that the department determines house a significant percentage of persons and families of lower income; and

[(6)] (7) The need to incorporate related jobs for low and moderate income persons as a component of community economic revitalization.

SECTION 25. ORS 458.630 is amended to read:

458.630. (1)(a) The Housing and Community Services Department may hold and use the principal that is credited to the Housing Development and Guarantee Account as the Guarantee Fund. The department may use the fund to guarantee repayment of loans made to finance the construction, development, acquisition or rehabilitation of low income housing, of the commercial component of a structure that contains both commercial property and low income housing, or of both. The department, by rule, shall specify the grounds on which it may deny loan guarantees for a structure that contains both commercial and low income housing components. The grounds for denial specified by the department must include, but need not be limited to, a commercial component that is excessive in scope or that is designed for commercial activity of a type incompatible with residential housing. The State Housing Council shall review loans that are guaranteed by the fund to ensure that the loans meet prudent underwriting standards.

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

(2) The department may not issue any loan guarantee under this section that guarantees the repayment of more than [25] **50** percent of the original principal balance of any loan.

(3) The department may not issue a loan guarantee if the guarantee would cause the aggregate dollar total of all loan guarantees issued by the department under this section to exceed two times the total amount then in the Guarantee Fund established under subsection (1) of this section. Notwithstanding ORS 458.625, whenever payouts on loan guarantees cause the fund principal to

decrease by five percent or more, the interest on the fund shall be deposited only to the principal account until the amount of the fund principal lost due to payouts on loan guarantees is restored.

(4) Subject to council review under subsection (1) of this section, the department shall give preference for loan guarantees under this section to loans for the construction, development, acquisition or rehabilitation of low income housing, or of structures containing both commercial and low income housing components, that the department determines will:

(a) Provide the greatest number of low income housing units constructed, acquired, developed or rehabilitated for the amount of guarantee allowed;

(b) Ensure the longest possible use for the units as low income housing units. Pursuant to this end, the State Housing Council may adopt a formula that optimizes the interests of the lender and the developer and the working life of the low income units; or

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

(5) The council may adopt a policy that gives loan guarantee preference to loans for low income housing, or structures containing both commercial and low income housing components, for which the department has provided a grant, loan, tax credit or other investment.

Passed by House March 19, 2007

Received by Governor:

Repassed by House June 6, 2007

.....M.,....., 2007

Approved:

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Chief Clerk of House

.....M.,....., 2007

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Speaker of House

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Governor

Passed by Senate June 4, 2007

Filed in Office of Secretary of State:

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President of Senate

.....M.,....., 2007

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Secretary of State