

**FISCAL IMPACT OF PROPOSED LEGISLATION**

**Measure: HB 2002 - 3**

80th Oregon Legislative Assembly – 2019 Regular Session  
Legislative Fiscal Office

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

Prepared by: Michael Graham  
Reviewed by: John Borden, Paul Siebert, Ken Rocco, Amanda Beitel, Michelle Deister  
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**Measure Description:**

Requires property owner subject to affordability restriction to provide more notice to qualified purchasers before restrictions expire.

**Government Unit(s) Affected:**

Bonding, Housing and Community Services Department (HCSD), Department of Administrative Services (DAS), Oregon State Treasurer (OST), Cities, Counties

**Summary of Fiscal Impact:**

Costs related to the measure may require budgetary action - See analysis.

**Summary of Expenditure Impact:**

**Housing and Community Services Department**

<b>Other Funds</b>	<b>2019-21 Biennium</b>	<b>2021-23 Biennium</b>
Services and Supplies	407,658	
Special Payments	25,000,000	
<b>Total Funds</b>	<b>\$25,407,658</b>	<b>\$0</b>

**Analysis:**

The measure would require a property owner or long-term lessee of publicly supported housing to provide notice by registered or certified mail to a qualified purchaser no sooner than 36 months prior and at least 30 months prior to the date that the contract is set to expire, or the owner intends to withdraw the participating property. If the owner fails to provide timely notice, the owner would be required to extend the affordability restriction on the participating property for an additional 24 months. A property owner would also be required to provide notice by registered or certified mail to a qualified purchaser no sooner than 30 months prior and at least 24 months prior to any withdrawal of the participating property from publicly supported housing. The measure would provide a qualified purchaser the ability to record a right of first refusal in certain circumstances. The measure would permit a property owner to withdraw a participating property from publicly supported housing and terminate the affordability restrictions on the property upon the latest of 24 or 30 months after delivery of the various notices or the expiration of all affordability restrictions set forth in any contract. Unless more than 24 months have elapsed since the participating property became eligible for withdrawal, an owner of a participating property that intends to sell it to a private party would be required to send notice by registered or certified mail to each qualified purchaser. The qualified purchaser would then have 30 days upon delivery to exercise the right of first refusal. The measure would apply to any participating property subject to an affordability restriction or contract set to expire on or after 30 months of its effective date.

The measure would establish the Affordable Housing Preservation Fund for the Housing and Community Services Department to preserve affordable housing. It would authorize the Oregon State Treasurer to issue lottery bonds

in an amount that produces \$25 million in net proceeds, which would be deposited into the Affordable Housing Preservation Fund.

**Housing and Community Services Department (HCSD):**

The measure would require additional monitoring of participating properties with respect to the changes to the right of first refusal. HCSD would execute and record a notice of a right of first refusal on applicable properties. In doing so, HCSD anticipates additional administrative staff time, legal fees to develop a notice template, and recording fees for any property not preserved at the time the affordability restrictions expire or terminate. Nevertheless, HCSD anticipates that these increases would be only minimal, thus absorbable within its existing budget and staffing.

The measure directs \$25 million in net lottery bond proceeds to the Affordable Housing Preservation Fund for HCSD to preserve affordable housing. Bond costs of issuance are estimated to be \$407,658 and an additional \$2.1 million would be transferred to debt service reserves for an anticipated total issuance of \$27.6 million. Policy Option Package 110 in the 2019-21 Governor’s Budget included \$25 million in net lottery bond proceeds and associated costs of issuance for HCSD to preserve affordable housing. The measure is intended to support this policy option package, not supplement it. However, whereas the measure states that the proceeds are to be used to preserve affordable housing, the policy option package states that they should also be used to preserve manufactured home parks.

Lottery bond proceeds would be offered through a competitive vetting process to ensure that the affordable housing is preserved, based on criteria to be established by HCSD. The funding would be paired with federal four percent (4%) Low-Income Housing Tax Credits to preserve existing affordable housing stock throughout the state. HCSD would not need any additional staff because the additional funding would be added to the Notices of Funding Availability published by the United States Department of Housing and Urban Development.

**Department of Administrative Services (DAS):**

The measure would authorize the Oregon State Treasurer to issue lottery bonds in an amount that produces \$25 million in net proceeds at the request of DAS. While the measure would require DAS to perform some bonding work related to the measure, the Capital Finance section within DAS already provides this service. The measure would thus have no fiscal impact on DAS.

**Oregon State Treasurer (OST):**

The measure would authorize OST to issue lottery bonds in an amount that produces \$25 million in net proceeds. This borrowing would occur as part of a larger lottery bond sale in the due course of OST’s responsibilities. The measure would also establish the Affordable Housing Preservation Fund in the State Treasury. Creating a new fund within the State Treasury would not require any additional funding or staffing, and OST would not need to reprioritize its workload. The measure would thus have no fiscal impact on OST.

**Cities and Counties:**

The measure would require additional monitoring of participating properties with respect to the changes to the right of first refusal. However, the increase would be minimal to Cities and Counties.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its budgetary impact on HCSD.