

HB 2981 -6 STAFF MEASURE SUMMARY

House Committee On Housing and Homelessness

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Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 1/31, 3/16

WHAT THE MEASURE DOES:

Directs Oregon Business Development Department (Department) to make loans with a term of 40 years to developers, and provide grants to local governments, for infrastructure and public improvements supporting moderate income housing. Allocates, for the biennium beginning July 1, 2023, \$20 million in General Fund moneys to the department for moderate income housing loans and grants. Defines, for purposes of this Act, “moderate income housing” as housing subject to an affordability restriction of no less than 30 years for households earning between 60 and 120 percent of area median income.

Directs Department to provide grants to 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 the department for grants to support land and predevelopment costs for moderate income housing.

Directs Department to provide grants to 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 the department for grants for moderate income housing loan guarantee funds.

Directs Department to provide grants and loans to entities developing modular housing or components, under advisement from a temporary advisory committee. Requires loan or grant recipients to prioritize supplying modular housing components: first, for wildfire or natural disaster recovery housing; second, for low-income housing construction; and third, for moderate income housing construction. Allocates, for the biennium beginning July 1, 2023, \$20 million in General Fund moneys to the department for grants to entities developing modular housing components.

Repeals provisions of the measure on January 2, 2026. Takes effect on 91st day following adjournment sine die.

FISCAL: May have fiscal impact, but no statement yet issued

REVENUE: Indeterminate revenue impact

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% AMI
- Nonprofit with loan servicing capacity as fund administrator
- Funding gaps for developers building middle income housing

EFFECT OF AMENDMENT:

-6 Removes section in introduced 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 the department 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. Replaces OBDD with 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. Sunsets provisions of Act January 2, 2026.

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 report 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% 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.

The Department of Housing and Development’s Office of Policy Development and Research notes modular and prefabricated, factory-built housing transported to the housing site offers the potential for reducing both construction time and housing cost. HUD notes that challenges to modular housing production have included zoning, negative perception, and project financing barriers.

House Bill 2981 directs the Oregon Business Development Department (Department) to make loans to developers, and grants to local governments, for infrastructure and public improvements supporting moderate income housing. The measure directs the department to provide grants to eligible nonprofits for the development of a revolving loan fund supporting land acquisition and specified predevelopment costs for moderate income housing development projects. It also directs the Department to provide grants to nonprofits to guarantee repayment of loans financing the construction of moderate income housing. It further directs the Department to provide grants and loans to entities developing modular housing or related components, and requires grant or loan recipients to prioritize disaster recovery or low-income housing production. The measure allocates a total of \$80 million in General Fund moneys for the biennium beginning July 1, 2023 for the purposes described in the measure.