

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: HB 2001 - A14**

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Date: 03/06/2023

Measure Description:

Establishes the Oregon Housing Needs Analysis, extends the notification requirement for termination of residential rental agreements for nonpayment, and provides funding for modular housing development, moderate income housing predevelopment loans, and agriculture workforce housing.

Government Unit(s) Affected:

Housing and Community Services Department, Metro, Department of Agriculture, Department of State Lands, Department of Administrative Services, Department of Land Conservation and Development, Department of Transportation, Employment Department, Department of Consumer and Business Services, Cities, Counties, Department of Human Services, Judicial Department, Oregon Business Development Department, Special Districts Association of Oregon, State Treasurer, Department of Justice, Higher Education Coordinating Commission, Land Use Board of Appeals, Department of Environmental Quality

Summary of Fiscal Impact:

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

Summary of Expenditure Impact:

	2021-23 Biennium	2023-25 Biennium
Housing and Community Services Department		
General Fund		\$21,450,798
<i>Total Funds</i>	\$0	\$21,450,798
<i>Positions</i>		5
<i>FTE</i>		3.89
Department of Administrative Services		
Other Funds		\$143,969
<i>Total Funds</i>	\$0	\$143,969
<i>Positions</i>		
<i>FTE</i>		
Department of Land Conservation and Development		
General Fund	\$100,560	\$6,175,884
<i>Total Funds</i>	\$100,560	\$6,175,884
<i>Positions</i>	5	7
<i>FTE</i>	0.33	7.00

Oregon Facilities Authority		
General Fund		\$3,613,925
Other Funds*		\$3,613,925
<i>Total Funds</i>	\$0	\$7,227,850
<i>Positions</i>	0	0
<i>FTE</i>	0.00	0.00
State Treasurer		
Other Funds		\$263,925
<i>Total Funds</i>	\$0	\$263,925
<i>Positions</i>	0	2
<i>FTE</i>	0.00	1.13
Department of Agriculture		
General Fund		\$5,524,762
<i>Total Funds</i>	\$0	\$5,524,762
<i>Positions</i>	0	1
<i>FTE</i>	0.00	0.88
Total Fiscal Impact	\$100,560	\$40,787,188
<i>Total Positions</i>	5	15
<i>Total FTE</i>	0.33	12.90

*Represents General Fund expended as Other Funds

Analysis: The measure directs the Department of Administrative Services (DAS) to develop a housing needs analysis to estimate the volume of needed housing by region to include current underproduction, forecasted population growth, regional job growth, the needs of individuals experiencing homelessness, and equitable distribution of housing. DAS is also required to allocate housing production targets to cities with a population of 10,000 or more and unincorporated urbanized areas within Metro. The Housing and Community Services Department (HCSO) is required to develop and maintain a statewide housing production dashboard and the Department of Land Conservation and Development is required to adopt a housing production target schedule and audit certain cities that have not adopted or implemented a housing production strategy. The measure amends land use requirements for local governments related to urbanization and requires Metro to adopt a housing coordination strategy.

This measure further allows the Emergency Housing Account to be used for services and assistance to school-aged children, or their families, who are homeless or at risk of becoming homeless; expands grants awarded by the Department of Human Services to organizations providing evidence-based services for homeless youths in underserved areas and to continue operation of host home projects; directs HCSO to provide grants and loans to entities developing modular housing; directs the Oregon Facilities Authority to provide financing or refinancing support to local governments or housing developers for infrastructure and predevelopment costs for moderate income projects; and directs the Oregon Department of Agriculture to provide grants to improve the health and safety of existing agricultural workforce housing. The measure additionally makes changes to residential tenancy termination laws and timeframes.

The overall fiscal impact totals \$100,560 General Fund and five positions (0.33 FTE) in the 2021-23 biennium, and \$40,787,188, which includes \$36,765,369 General Fund and \$4,021,819 Other Funds, and 15 positions (12.90 FTE) in the 2023-25 biennium.

Oregon Housing Needs Analysis

	2021-23 Biennium	2023-25 Biennium
Housing and Community Services Department		
General Fund		
Personal Services		\$626,752
Services and Supplies		\$575,680
<i>Total Funds</i>	\$0	\$1,202,432
<i>Positions</i>		4
<i>FTE</i>		3.01
Department of Administrative Services		
Other Funds		
Personal Services		\$93,969
Services and Supplies		\$50,000
<i>Total Funds</i>	\$0	\$143,969
<i>Positions</i>		
<i>FTE</i>		
Department of Land Conservation and Development		
General Fund		
Personal Services	\$79,085	\$1,583,487
Services and Supplies	\$21,475	\$1,092,397
Special Payments		\$3,500,000
<i>Total Funds</i>	\$100,560	\$6,175,884
<i>Positions</i>	5	7
<i>FTE</i>	0.33	7.00
Total Fiscal Impact	\$100,560	\$7,522,285
<i>Total Positions</i>	5	11
<i>Total FTE</i>	0.33	10.01

The measure establishes the Oregon Housing Needs Analysis (OHNA) within DAS for the purpose of increasing housing production to meet the needs of Oregonians at all levels of affordability and in a way that creates more choice through fair housing. On an annual basis, DAS is required to conduct a statewide estimate of needed housing by region and include the following factors in its estimate: forecasted population growth; regional job growth; the housing needs of individuals experiencing homelessness; projected housing units converted to vacation or second homes; and equitable distribution of housing across specified income levels. DAS must also establish annual housing production targets for cities with a population greater than 10,000, separated into subsidized affordable and total housing production. DAS' initial statewide housing analysis is due by January 1, 2025.

The Housing and Community Services Department (HCSD) and the Department of Land Conservation and Development (DLCD) are required to assist DAS with the study and can recommend changes in methodology. HCSD is required to update a publicly available housing production dashboard to measure progress; HCSD will also update publicly available statewide housing equity indicators. No later than March 1, 2024, DLCD will adopt a housing production target schedule to assist DAS with allocating housing production targets. The Land Conservation and Development Commission is directed to adopt rules related to urbanization that provide greater flexibility and certainty for local governments in amending growth boundaries or adopting

comprehensive plan amendments or land use regulations to support their housing production strategies. The Commission will also adopt rules to evaluate cities' progress toward adopting a housing production strategy and provide assistance to cities in meeting housing production and capacity goals. The Commission is authorized to waive, amend, or impose local procedures and ordinances in certain circumstances.

The measure directs Metro to develop and adopt a housing coordination strategy identifying regional strategies and impediments to producing needed housing within one year of completing a housing capacity analysis. By February 1 of each year, cities with a population of 10,000 or greater are required to report to DLCD on the number of residential units permitted and produced; this data will then be shared with DAS and HCSD. The measure requires population forecasts submitted by Portland State University to segment required data by race, ethnicity, disability status, and information for populations on tribal lands.

The measure's provisions related to OHNA result in a fiscal impact on DAS, HCSD, and DLCD totaling \$100,560 General Fund and five positions (0.33 FTE) in 2021-23, and \$7,522,012, which includes \$7,378,316 General Fund and \$143,969 Other Funds, and 11 positions (10.01 FTE) in 2023-25.

The fiscal impact on the Department of Administrative Services is \$143,969 Other Funds in the 2023-25 biennium. In addition to using existing staff and resources to carry out this work, DAS will need to add a leadwork differential and reclassify one Economist 2 position in the Chief Operating Office, Office of Economic Analysis to an Economist 4 at the cost of \$93,969. DAS also anticipates \$50,000 in consulting services.

The Housing and Community Services Department will require a total of \$1,202,432 General Fund to support four permanent positions (3.01 FTE) and one-time funding for contract work in the 2023-25 biennium to perform duties related to OHNA, as follows:

- A permanent, full-time Research Analyst 3 position (0.88 FTE) to facilitate data collection, publication and regular updates of housing production data submitted by cities, at a cost of \$174,439 for personal services, and \$19,850 in attendant services and supplies expenses for the 2023-25 biennium. For the 2025-27 biennium, personal services and services and supplies costs for this position are estimated at \$199,360 and \$20,780, respectively.
- A permanent Research Analyst 3 position (0.88 FTE) associated with collection and publication of housing equity indicators, pursuant to Section 5 of the measure. HCSD is responsible for determining and estimating costs, housing condition, production and environmental justice outcomes, segregation, displacement risk, and cost burdens by demographic group, that may include age, race, disability status, and English proficiency. For the 2023-25 biennium, the cost of this position is \$174,439 for personal services, and \$19,850 in attendant services and supplies.
- A permanent full-time Economist 2 position (0.50 FTE), at a cost of \$103,431 for personal services, and \$17,060 for services and supplies. This position will work with the DAS Office of Economic Analysis in supporting the OHNA, including forecasting of document recording fee revenue and analyzing trends that impact development, homeownership, housing affordability, and housing stability, to inform policies and incentives to influence housing production targets.
- A permanent, full-time Operations and Policy Analyst 3 (0.75 FTE) to interface with cities, answer questions, provide feedback, and integrate policy changes and incentives into fund offerings to facilitate achievement of housing production targets. The cost of this position is \$174,443 for personal services and \$18,920 in services and supplies.

Contract resources in the amount of \$500,000 are needed for the 2023-25 biennium on a one-time basis for expertise from universities or other research institutions and for community engagement activities associated with developing a methodology for collecting and evaluating housing equity indicators.

Costs related to OHNA for the Department of Land Conservation and Development are estimated at \$100,560 General Fund in the 2021-23 biennium and \$6,175,884 General Fund in the 2023-25 biennium. The agency will hire a total of seven full-time positions. Five of these positions will phase in during the current biennium:

- One Program Manager 2 (0.08 FTE in 2021-23) to oversee a new Housing Division which will incorporate the positions under this measure as well as existing positions in the agency's Community Services Division.
- One Human Resources Analyst 2 (0.13 FTE in 2021-23) to immediately begin recruitment and onboarding of other positions under this measure.
- One Planner 3 (0.04 FTE in 2021-23) to support local governments, with a specialization in public facilities planning for housing production.
- One Planner 4 (0.04 FTE in 2021-23) to support local governments, with a specialization in urbanization.
- One Operation and Policy Analyst 3 (0.04 FTE in 2021-23) to support local governments, with a specialization in GIS and policy analysis.
- One Administrative Specialist 2 to support the rulemaking process.
- One Information and Security Specialist 4 to expand capacity in the agency's information technology department and work on database management and reporting requirements.

Expenses in the 2021-23 biennium include \$79,085 for personal services and \$21,475 for position-related services and supplies. In the 2023-25 biennium, in addition to personal services costs of \$1,583,487, the agency anticipates spending \$1,092,397 General Fund, including \$92,397 for position-related services and supplies, \$150,000 for legal expenses, and \$850,000 for an extensive rulemaking process including contracts for meeting facilitation and technical analysis.

DLCD may provide technical assistance and award grants to local governments to implement land use provisions and incentivize the production of needed housing. A total of \$3,500,000 General Fund is included for grants to local governments in 2023-25. Additionally, DLCD technical assistance funding for housing supports the work of the Portland State University (PSU) Population Research Center to include in its population forecasts: (1) population data segmented by race, ethnicity, and disability status; and (2) segregated information for populations on tribal lands.

The measure updates requirements for cities with a population of 10,000 or greater outside of Metro in determining needed housing and conducting an inventory of buildable lands within the urban growth boundary. Needed housing is defined as housing by affordability level, type, characteristics, and location that is necessary to accommodate a city's allocated housing need over the 20-year planning period when the housing capacity is determined. Cities will need to conduct a Housing Capacity Analysis (HCA) and a Housing Production Strategy (HPS) on a six or eight-year cycle. Those requirements have an indeterminate fiscal impact on cities, as they require extensive public outreach and engagement and land use planning work. DLCD will adopt administrative rules related to these requirements, which will delay the majority of the fiscal impact on cities to the 2025-27 biennium. In addition, the measure directs HCSO to create new statewide housing equity indicators, which will require cities to begin collecting new data on all new housing developments.

Counties will incur indeterminate fiscal impacts due to the changes in rules, performing updates to local ordinances, possible increases in enforcement activities, and developing housing coordination strategies.

Youth Experiencing Homelessness

The measure authorizes the Emergency Housing Account in the Housing and Community Services Department to be used for services and assistance to school-aged children in kindergarten through grade 12, or their families, who are homeless or at risk of becoming homeless. The Department of Human Services (DHS) is authorized to award grants to organizations that propose to provide evidence-based services, as described by the Department by rule, for youth experiencing homelessness in an underserved area or an area in which those services are not provided. DHS host home grants are also expanded to support the operations of existing host home projects. Funding for these activities is included in HB 5019 (2023).

Modular Housing Funding

	2021-23 Biennium	2023-25 Biennium
Housing and Community Services Department		
General Fund		
Personal Services		\$203,516
Services and Supplies		\$44,850
Special Payments	\$0	\$20,000,000
<i>Total Funds</i>	\$0	\$20,248,366
<i>Positions</i>	0	1
<i>FTE</i>	0.00	0.88

The Housing and Community Services Department (HCSD) is directed to provide grants or loans to entities to begin or expand production capacity for the development of modular housing and components to support home builders and developers in meeting housing demand. The Department must establish a temporary advisory committee to advise the Department on providing grants or loans. HCSD may enter into a contract with a third party to award or administer the grants.

General Fund in the amount of \$20,000,000 is appropriated on a one-time basis to HCSD for the purpose of making loans and grants to entities producing modular housing and associated components, as a way of helping builders and developers meet demand for housing. HCSD requires a full-time limited duration Operations and Policy Analyst 3 position (0.88 FTE) to develop program rules, convene an advisory committee, develop a competitive offering for program administration or oversee the program directly, and monitor results. Personal services costs are \$203,516 and associated services and supplies costs total \$19,850 for the 2023-25 biennium. The agency also estimates incurring approximately \$25,000 in costs associated with contract review for third party program administration. The measure includes a programmatic sunset date of January 2, 2026, so the agency would have to request funding and position authority for the first 12 months of the 2025-27 biennium.

Moderate Income Housing Predevelopment Loans

	2021-23 Biennium	2023-25 Biennium
Oregon Facilities Authority		
General Fund		
Personal Services		\$0
Services and Supplies		\$613,925
Special Payments		\$3,000,000
Total General Fund		\$3,613,925
Other Funds*		
Personal Services		\$0
Services and Supplies		\$613,925
Special Payments		\$3,000,000
Total Other Funds		\$3,613,925
<i>Total Funds</i>	\$0	\$7,227,850
<i>Positions</i>		0
<i>FTE</i>		0.00
State Treasurer		
Other Funds		
Personal Services		\$263,925
Services and Supplies		\$0
<i>Total Funds</i>	\$0	\$263,925
<i>Positions</i>		2
<i>FTE</i>		1.13
Total Fiscal Impact	\$0	\$7,491,775
<i>Total Positions</i>		2
<i>Total FTE</i>		1.13

**Represents General Fund expended as Other Funds*

The Oregon Facilities Authority (OFA) is directed to provide financing to local governments or housing developers for moderate-income housing predevelopment costs. Financing of up to \$500,000 may be provided for a term of at least 25 years at 3% or less for projects with a total cost of up to \$40 million or 80 residential units.

The measure appropriates \$3,000,000 General Fund on a one-time basis to OFA for deposit into the Oregon Facilities Authority Account to finance moderate income housing predevelopment loans beginning in the 2023-25 biennium. The program provides financing, including refinancing, to local governments or housing developers for predevelopment costs, including infrastructure, site acquisition, planning, reports, surveys, and consultants. Additionally, the measure appropriates \$613,925 General Fund in 2023-25 for the estimated costs to develop and implement the new program. This includes \$100,000 for program startup costs, such as rulemaking, and an additional \$250,000 for implementation activities that will include reviewing project applications and loan issuances. OFA does not currently have any dedicated staff and their existing Small Nonprofit Accelerated Program (SNAP) loan program is operated through contracted staff. Oregon State Treasury (OST) currently provides administrative support to OFA. A total of \$263,925 is included for OFA to expand the current contracted work to include oversight and administration of the loan program. Although the program appropriation is one-time in nature, OFA will have ongoing loan servicing costs in future biennia. The measure does not specify where loan repayments will be deposited; however, assuming they are deposited into the Oregon Facilities Authority Account, repayments will be available to support ongoing program administration provided by OST. Corresponding Other Funds expenditure limitation of \$3,613,925 Other Funds is required to expend funds from the Oregon Facilities Authority Account.

OST estimates the fiscal impact of this measure to be \$263,925 Other Funds, one full-time limited duration Program Analyst 4 (0.88 FTE) and one permanent part-time Accountant 2 (0.25 FTE) in the 2023-25 biennium. These costs and positions are to support OFA's moderate income predevelopment loan program. The Program Analyst 4 will provide oversight and due diligence of loan issuances in 2023-25 and the Accountant 2 will support loan servicing in the current and future biennium, given that loans must be issued for a minimum term of 25 years. There is an existing memorandum of understanding between OST and OFA for administrative, accounting and support work for OFA. The scope of work performed by OST will expand with this new loan program and be supported with funds from the Oregon Facilities Authority Account.

Agricultural Workforce Housing Grants

	2021-23 Biennium	2023-25 Biennium
Oregon Department of Agriculture		
General Fund		
Personal Services		\$203,516
Services and Supplies		\$321,246
Special Payments		\$5,000,000
<i>Total Funds</i>	\$0	\$5,524,762
<i>Positions</i>	0	1
<i>FTE</i>	0	0.88

The Oregon Department of Agriculture (ODA) is directed to provide grants to improve the health and safety conditions of existing agriculture workforce housing. The Department of Consumer and Business Services shall assist ODA in establishing the grant application criteria. ODA may enter into a contract with a third party to award or administer the grants.

A \$5,000,000 General Fund appropriation to ODA is included for the grants in the 2023-25 biennium. ODA estimates the fiscal impact of this measure to be \$524,762 General Fund and one limited duration Operations and Policy Analyst 3 (0.88 FTE) to support the development and delivery of the Agricultural Workforce Housing grant program in the 2023-25 biennium. This estimate includes \$203,516 for personal services costs, as well \$21,246 in services and supplies to support the position; \$50,000 for the program's publicity and publications; \$200,000 for contracted program development and outreach support; and \$50,000 for the Department of Justice (DOJ) expenses. The Operations and Policy Analyst 3 would serve as a project manager and will be responsible for policy development, working with DOJ on contract development, contractor oversight, and public guidance, among other functions. The contractor will be utilized for grant management functions, including solicitation, processing, determination, and awards, as well as providing detailed documentation and comprehensive reporting to ODA. The measure includes a sunset for the grant program on January 2, 2026. Although the appropriation is one-time in nature, the agency may have costs early in the 2025-27 biennium to close out the program, prior to sunset.

Other Provisions

The measure changes notice requirements that must be made available to tenants for termination of residential tenancy for nonpayment and directs courts to dismiss complaints in circumstances where the landlord failed to provide appropriate notice or the tenant has tendered payment for the amount owed through rental assistance or other payment. The Judicial Department is required to translate notice requirements into several languages on its website. Public bodies distributing rental assistance are required to provide dated application receipts to tenants, close applications when tenants are determined to no longer be participating, inform tenants' landlords of payments made to persons other than the landlord, and provide a dated notice of denial or closure of application for rental assistance to the tenant and the landlord.

The measure increases written notice of intention to terminate a rental agreement from 72 hours to 10 days and from 144 hours to 13 days from when rent is due. It also changes the times for serving summons for eviction proceedings and allows delays to appear. The circumstances under which default judgments for evictions may be entered are also amended; trials must be scheduled no sooner than 15 days after an appearance pursuant to a summons. Judges and courts are required to seal eviction records in certain circumstances.

The measure allows the Housing and Community Services Department to utilize emergency procurement authority to address homelessness, increase shelter capacity and connections to shelter, provide capacity support to culturally responsive organizations, and provide sanitation services for communities within the OR-505 Oregon Balance of State Continuum of Care (Rural Continuum of Care).

The following agencies report a minimal fiscal impact due to the provisions of this bill: Department of Consumer and Business Services, Department of State Lands, Metro, Department of Transportation, Judicial Department, Department of Justice, and Special Districts.

The following agencies report no fiscal impact due to the provisions of this bill: Department of Environmental Quality, Higher Education Coordinating Counsel, Land Use Board of Appeals, Oregon Business Development Department, and Oregon Employment Department.