B-Engrossed
Senate Bill 684

Ordered by the Senate May 15
Including Senate Amendments dated April 15 and May 15

Sponsored by Senators PHAM K, ANDERSON; Senators BROADMAN, FREDERICK, MANNING JR, PATTERSON, REYNOLDS, Representatives GAMBA, GOMBERG, NELSON, NERON, NOSSE, VALDERRAMA, WALTERS (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: This Act makes OHCS create mixed income housing programs and lets housing authorities run or own more mixed income housing. (Flesch Readability Score: 63.8).

Directs the Housing and Community Services Department to establish a program to issue low-interest short-term loans for the construction of mixed income housing. Amends the definition of "residential housing" to include certain mixed income housing. Requires the department to adopt rules for long-term financing of residential housing on or before January 1, 2027. Requires the department to report on updates to the interim committees of the Legislative Assembly related to housing by September 15, 2026. Establishes the Mixed Income Public Development Loan Fund to be continually appropriated to the department for those purposes.

Reduces limitations on the mixed income housing that housing authorities may finance, develop, own, operate or manage.

A BILL FOR AN ACT

Relating to housing; creating new provisions; and amending ORS 307.092, 456.055, 456.120, 456.153, 456.548 and 456.620.

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

SECTION 1. Sections 2 to 4 of this 2025 Act are added to and made a part of ORS 456.548 to 456.725.

SECTION 2. (1) As used in this section, "mixed income housing" means multifamily housing, as defined in ORS 456.717, that includes housing for both families of lower income and moderate income households, as defined in ORS 456.270, and in which all of the units are subject to an affordable housing covenant, as described in ORS 456.270 to 456.295, for a term of no less than 30 years.

(2) The Housing and Community Services Department shall develop and implement a program to provide below-market, short-term loans for:

(a) The construction of mixed income housing; and

(b) Notwithstanding ORS 456.620 (4), the acquisition of market projects to be converted, within three years of acquisition, to housing that includes units for persons and families of lower income.

(3) The department shall adopt rules for loans provided under this section that establish:

(a) The method by which interest rates and terms are set.

(b) Eligibility criteria.

(c) The proportion of housing units that must be affordable to tenants whose income is no greater than 80 percent of the area median income.

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

(d) The means by which a project that receives a loan described in this section may ensure affordability under paragraph (c) of this subsection for a term of at least 90 years, which may include ownership or an ownership interest by a housing authority.

(4) Loans made under this section must be made subordinate to any existing or concurrently made private loan on the property.

(5) Any repayments of a loan made under this section must be deposited into the Mixed Income Public Development Loan Fund under section 3 of this 2025 Act.

SECTION 3. (1) The Mixed Income Public Development Loan Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Mixed Income Public Development Loan Fund is credited to the fund.

(2) The fund consists of:

(a) Moneys received under section 2 (5) of this 2025 Act;

(b) Moneys appropriated, allocated, deposited or transferred to the fund by the Legislative Assembly;

(c) Authorized bond proceeds; and

(d) Moneys from any other source, including from the federal government or local government.

(3) Moneys in the fund are continuously appropriated to the Housing and Community Services Department to implement this section and section 2 of this 2025 Act.

SECTION 4. (1) On or before January 1, 2027, the Housing and Community Services Department shall, by rule, develop and implement lending strategies, within the department's existing statutory authority to make loans, that can be used to provide permanent long-term financing for residential housing.

(2) On or before September 15, 2026, the Housing and Community Services Department shall provide a report to the interim committees of the Legislative Assembly related to housing in the manner provided in ORS 192.245 on the progress of the rulemaking and recommendations for funding the lending strategies described in subsection (1) of this section and the mixed income housing program described in section 2 of this 2025 Act.

(3) Moneys in the Mixed Income Public Development Loan Fund established in section 3 of this 2025 Act may be used to implement this section.

SECTION 5. ORS 456.548 is amended to read:

456.548. As used in ORS 456.548 to 456.725, unless the context requires otherwise:

(1) "Bonds" means any bonds, as defined in ORS 286A.001, or any other evidence of indebtedness, issued under ORS 456.515 to 456.725 or issued in anticipation of bonds and payable from the proceeds of bonds issued.

(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) "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.

(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 456.548 to 456.725.

(5) "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.

(6) "Housing finance bond declaration" means a written instrument signed by the Director of the Housing and Community Services Department or the designee of the director and on file with and bearing the certificate of approval of the State Treasurer or the designee of the State Treasurer, and all housing finance bond declarations supplemental to that instrument.

(7) "Housing Finance Fund" means the Housing Finance Fund established in ORS 456.720 (1).

(8) "Lending institution" means any bank, mortgage banking company, trust company, savings bank, 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.

(9) "Limited dividend housing sponsor" means a corporation, trust, partnership, association or other entity, or an individual that is a mortgagor.

(10) "Manufactured dwelling park nonprofit cooperative" has the meaning given that term in ORS 62.803.

(11) "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.

(12) "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.

(13) "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 Housing and Community Services Department based on 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.

(14) "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.

(15) "Qualified housing sponsor" means the following entities if approved by the department under ORS 456.620 (2):

(a) A consumer housing cooperative;

(b) A limited dividend housing sponsor;

(c) A nonprofit housing corporation;

(d) A for-profit housing sponsor;

(e) A housing authority;

(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.

(16)(a) "Residential housing" means a specific work or improvement within this state **that contains units for persons or families of lower incomes and is** 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 **or moderate income households as defined in ORS 456.270** and the financial feasibility of the development.

(b) "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.

(c) 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.

(17) "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 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) 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.

(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.

(d) A loan, secured by such lien as may be approved by the department, made for the acquisition of a residential structure and made solely to provide down payment or closing cost assistance to allow low and moderate income households to qualify for a first position purchase loan on the structure.

SECTION 6. ORS 456.055 is amended to read:

456.055. As used in the Housing Authorities Law, unless the context requires otherwise:

(1) "Affordable housing" means dwelling units that may be purchased or rented, with or without government assistance, by persons of eligible income.

(2) "Blighted area" means any area where housing, by reason of neglect and dilapidation, is detrimental to the safety or health of the occupants or of the neighborhood in which the housing is located.

(3) "Bonds" means any bonds, notes, interim certificates, debentures or other obligations issued by an authority pursuant to the Housing Authorities Law. The giving of a note secured by a mortgage or trust deed will not constitute a bond.

(4) "The City" means the particular city included within a particular housing authority.

(5) "Clerk" means the recorder of the city or the clerk of the county, as the case may be, or the officer of the city or the county, respectively, charged with the duties customarily imposed on such clerk.

(6) "County" means any county in the state. "The county" means a particular county or counties for which a particular housing authority is created.

(7) "Governing body" means, in the case of a city, the common council or other legislative body thereof, and, in the case of a county, the county court, commission or other legislative body thereof.

(8) "Housing" means housing of all kinds, including but not limited to single-family dwellings, multifamily dwellings, emergency shelters, dwelling accommodations, living accommodations, manufactured dwelling parks, residential units, housing projects or other dwellings.

(9) "Housing unit" or "unit" means a single-family dwelling, a single apartment or other single dwelling.

(10) "Mixed income housing" means a housing project that houses tenants with a mixture of income levels, including those not of lower income, for the [*purpose of*] **purposes of:**

(a) Reducing the rents for tenants whose incomes are no greater than [*60*] **80** percent of the area median income[.]**; and**

(b) Meeting the housing needs of tenants.

(11) "Obligee of the authority" or "obligee" includes any bondholder or trustee for any bondholder, or lessor demising to the authority property used in connection with a housing project, or any assignee of such lessor's interest or any part thereof, and the federal government when it is a party to any contract with the authority.

(12) "Persons of eligible income" means individuals or families who meet the applicable income limits of local, state or federally funded programs or developments.

(13) "Private market" means those rental housing units owned and operated by nongovernment entities and without government subsidies.

(14) "Person of lower income" or "family of lower income" means a person or a family, residing in this state, whose income is not greater than 80 percent of the area median income, adjusted for family size, as determined by the Housing and Community Services Department using United States Department of Housing and Urban Development information.

(15) "Real property" includes all lands, including improvements and fixtures thereon, and property of any nature appurtenant thereto, or used in connection therewith, and every estate, interest and right, legal or equitable, therein, including terms for years and liens by way of judgment, mortgage or otherwise and the indebtedness secured by such liens.

SECTION 7. ORS 456.120 is amended to read:

456.120. A housing authority shall constitute a public body corporate and politic, exercising public and essential governmental functions, and having all the powers necessary or convenient to

carry out and effectuate the purposes of the Housing Authorities Law. These powers shall be vested in the commissioners of the authority and shall include the following in addition to others granted in the Housing Authorities Law:

(1) To sue and be sued.

(2) To have a seal and to alter the same at pleasure.

(3) To have perpetual succession.

(4) To make and execute contracts and other instruments necessary or convenient to the exercise of the powers of the authority.

(5) To make and from time to time amend and repeal bylaws, rules and regulations, not inconsistent with the Housing Authorities Law, to carry into effect the powers and purposes of the authority.

(6) To arrange or contract for the furnishing by any person or agency, public or private, of services, privileges, works or facilities for, or in connection with, a housing project or the occupants thereof.

(7) Notwithstanding any laws to the contrary, to include in any contract let in connection with a project, stipulations requiring that the contractor and any subcontractors comply with requirements as to minimum wages and maximum hours of labor, and comply with any conditions which the federal government attaches to its financial aid of the project.

(8) To lease or rent any housing, lands, buildings, structures or facilities embraced in any housing project and, subject to the limitations of the Housing Authorities Law, to establish and revise the rents or charges therefor.

(9) To own, hold and improve real or personal property.

(10) To purchase, buy on contract, exchange, lease, lease back, obtain options upon, acquire by gift, grant, bequest, devise or otherwise any real or personal property or any interest therein and to give its mortgage or trust deed covering any real property or security agreement covering any personal property or any interest in either.

(11) To sell, mortgage, lease, rent, exchange, transfer, assign, pledge or otherwise dispose of any real or personal property or any interest therein.

(12) To insure or provide for the insurance of any real or personal property or operations of the authority against any risks or hazards.

(13) To procure insurance or guarantees from the federal government of the payment of any debts or parts thereof, whether or not incurred by said authority, secured by mortgages on any property included in any of its housing projects.

(14) To invest any funds held in reserves or sinking funds, or any funds not required for immediate disbursement, in property or any investment in which an Oregon city may legally invest surplus funds, and, in addition, to invest bond proceeds and amounts held in bond payment, reserve and proceeds accounts in investment agreements that:

(a) Produce a guaranteed rate of return;

(b) Are fully collateralized by direct obligations of, or obligations guaranteed by, the United States; and

(c) Require that the collateral be held by the authority, an agent of the authority or a third-party safekeeping agent.

(15) To purchase its bonds at a price not more than the principal amount thereof and accrued interest, all bonds so purchased to be canceled.

(16) To exercise all or any part or combination of powers granted in the Housing Authorities

Law.

(17) To borrow money pursuant to ORS 456.055 to 456.235 or as otherwise allowed and accept advances, loans or grants or any other form of financial assistance or any combination of these forms of assistance from the federal government, state, county or other public body, or from any sources, public or private, for the purpose of undertaking and carrying out housing projects.

(18) To enter in a partnership agreement with or loan money to an individual, partnership, corporation or other association to finance, plan, undertake, construct, acquire, manage or operate a housing project.

(19) To finance, develop, own, operate or manage a mixed income housing project**.** [*that meets the following requirements:*]

[*(a) No fewer than 20 percent of the units in the project so financed shall be rented to households with incomes of 50 percent or less of area median income;*]

[*(b) No fewer than 40 percent of the units in the project so financed shall be rented to households with incomes of 60 percent or less of area median income; or*]

[*(c) The minimum requirements imposed by any federal tax law that is applicable to the project.*]

(20) To form, finance and have a nonstock interest in, and to manage or operate, partnerships, nonprofit corporations and limited liability companies in order to further the purposes of the housing authority.

SECTION 8. ORS 456.153 is amended to read:

456.153. A housing authority may finance, develop, own, manage or operate [*a*] mixed income housing [*project if:*]

[*(1) The housing authority*] **if the authority** determines that a substantial number of persons of eligible income in the area served by the authority cannot obtain housing for 30 percent or less of their income.

[*(2) Based on the determination under subsection (1) of this section, the housing authority adopts a resolution declaring the need for additional housing for persons or families of lower income that can be addressed by the authority financing, developing, owning, managing or operating a mixed income housing project.*]

SECTION 9. ORS 307.092 is amended to read:

307.092. (1) As used in this section, "property of a housing authority" includes, but is not limited to:

(a) Property that is held under lease or lease purchase agreement by the housing authority; and

(b) Property of a partnership, nonprofit corporation or limited liability company for which the housing authority is a general partner, limited partner, director, member, manager or general manager, if the property is**:**

(A) Leased or rented to persons of lower income for housing purposes[*.*]**; or**

(B) Mixed income housing, as defined in ORS 456.055.

(2)(a) The property of a housing authority is declared to be public property used for essential public and governmental purposes and, upon compliance with ORS 307.162, the property and the housing authority are exempt from all taxes and special assessments of the city, the county, the state or any political subdivision of the city, county or state.

(b) In lieu of taxes or special assessments, the authority may agree to make payments to the city, county or political subdivision for improvements, services and facilities furnished by the city, county or political subdivision for the benefit of a housing project, but in no event may the payments exceed the estimated cost to the city, county or political subdivision of the improvements, services

or facilities furnished.

(3) Notwithstanding subsection (2) of this section, property of a housing authority that is commercial property leased to a taxable entity is not exempt from taxation and special assessments under this section.

SECTION 10. ORS 456.620 is amended to read:

456.620. In carrying out housing programs, the Housing and Community Services Department shall:

(1) With the approval of the Oregon Housing Stability Council, adopt standards for the planning, development and management of housing projects for which qualified housing sponsors receive all or a portion of any required financing under ORS 456.548 to 456.725, for audits and inspections to determine compliance with such standards and adopt criteria for the approval of qualified housing sponsors under ORS 456.548 to 456.725.

(2) Adopt criteria by which the department may approve or disqualify qualified housing sponsors.

(3) Enter into agreements with qualified housing sponsors to regulate the planning, development and management of housing projects constructed with the assistance of the department under ORS 456.548 to 456.725.

(4) With the approval of the council, establish maximum household income limits for all or a portion of the units in housing projects, including housing developments or other residential housing, financed in whole or in part by the department. The department may finance only the portion of housing projects consisting of units rented to households with an income below 120 percent of the area median income, as defined in ORS 458.610. The department shall, by rule, adopt a methodology for allocating the affordable housing portion of a housing project's shared costs, including infrastructure and parking. For a housing project financed by the department, the council may establish a minimum ratio or number of units that will be rented to households with an income below 120 percent of the area median income. If the income level in any unit exceeds 120 percent of the area median income, the department shall, to the extent practicable, require that the project, development or other housing financed by the department have [*a*] **no less than a minimum** percentage of low income units [*that is higher than the minimum percentages established in ORS 456.120 (19) for projects financed by local housing authorities or income limitations that are lower than the limits described in ORS 456.120 (19) or a combination thereof*] **as established by rule**. Income limits for department programs administered on a statewide basis may be established by reference to the area median income. This subsection does not restrict the acquisition of manufactured dwelling parks.

(5) With the approval of the council, ensure that financing is provided in the department's programs for manufactured housing and for the purchase of lots described in ORS 92.840 by manufactured dwelling park tenants.
