

PRELIMINARY DISCUSSION DRAFT

Measure Number: IRR 401

Subject: Amends Constitution: Allows local bonds for financing affordable housing with nongovernmental entities. Requires voter approval, annual audits.

Government Unit Affected: Local governments

Prepared by: Cathleen Connolly, Department of Administrative Services

Reviewed by: Kate Nass, Department of Administrative Services

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Comments

IRR 401 is a legislative referral authorized by House Joint Resolution 201 (2018). The referral amends Article XI, section 9 of the Oregon Constitution to allow local governments to issue general obligation bonds to finance the cost of constructing affordable housing including when the funds go to a nongovernmental entity. The measure also requires that proposed bonds be approved by local voters and the jurisdiction authorizing the bonds must provide annual audits and public reporting on bond expenditures. IRR 401 restricts the bond principal to one-half of one percent of the real market value of all property in the jurisdiction.

Currently the Oregon Constitution prohibits a county or city from assisting corporations by becoming a stockholder in; raising money for; or loaning the state's credit to; any joint company, corporation, or association, with the exception of ports under certain circumstances. IRR 401 would create an exception that allows counties, cities, towns or other municipal corporations to issue bonds to finance the capital costs of affordable housing including when the bond proceeds are given to a nongovernmental entity.

Under current law local governments may issue general obligation bonds to finance affordable housing but the housing must be owned and operated by the local government. The provisions of Article XI, section 9 have been interpreted to prevent local governments from issuing general obligation bonds to finance projects with nongovernmental entities. As a result bond proceeds arguably cannot be combined with other housing finance tools such as tax credits or tax exempt bonds used by private developers to build affordable housing. The restrictive interpretation of Article XI, section 9 has also been a barrier to some bond counsel providing potential lenders with an unqualified opinion that the Oregon Constitution authorizes the issuance of affordable housing bonds by local governments for projects with private developers.

Fiscal Impact Summary

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Executive Branch Assumptions: IRR 401 has no direct revenue or expenditure impact on state government.

Local Government Assumptions: IRR 401 does not require local governments to take any action. The revenue and expenditure impact on local governments is dependent on decisions by local governments to propose bonding for affordable housing and voter approval of the proposed bonds.

Estimate of Financial Impact

This measure amends Article XI, section 9 of the Oregon Constitution to allow local governments to issue general obligation bonds to finance the cost of constructing affordable housing including when the funds go to a nongovernmental entity. The measure also requires that proposed bonds be approved by local voters and the jurisdiction authorizing the bonds must provide annual audits and public reporting on bond expenditures.

There is no financial impact to state revenue or expenditures.

There is no financial impact on local government revenue or expenditures required by the measure. The revenue and expenditure impact on local governments is dependent on decisions by local governments to propose bonding and voter approval of the proposed bonds.