

MINUTES OF THE MEETING
BUSINESS AND INDUSTRY COMMITTEE
MONTANA STATE SENATE

January 26, 1981

The meeting of the Business and Industry Committee was called to order by Chairman Frank Hazelbaker on January 26, 1981 at 10:00 a.m. in Room 404 of the State Capitol Building.

ROLL CALL: All members were present with the exception of Senator Kolstad, who was excused. Senators Lee and Regan arrived late. The staff researcher was also present.

Several visitors were in attendance. (See attachments)

CONSIDERATION OF SENATE BILLS 90 & 91: Senator Pat Goodover of Senate District 22, chief sponsor of both Senate Bills 90 and 91 gave a brief resume of the bills as they go hand in hand. Senate Bill 90 is an act to revise the rate on interest on bonds and notes issued by the Board of Housing; and providing and immediate effective date. Senate Bill 91 is an act to increase the bond debt limit of the Montana Board of Housing to \$675 million, and providing an immediate effective date. Senator Goodover stated that the Board of Housing finances homes for middle and lower income families. The Board has a limit at the present time of \$375 million. Senate Bill 91 would increase this figure by \$300 million.

Lyle Olsen, administrator of the Montana Board of Housing, called upon Bill Goff to speak on behalf of the Board. A folder containing several pages of information regarding the work of the Board was handed out to the members of the committee. Mr. Goff stated that with an increase in money the Board could establish a better working program. These loans help people who otherwise cannot get help. Many people are indirectly affected by such a move when someone builds a new home. It creates jobs for people in the community and also generates business for several stores which would help the depressed state of the economy of most communities.

Paul Johnson of the Board of Housing and also of the First Federal Savings and Loan stood in support of the bill.

Cliff Christian representing the Montana Association of Realtors stated that his group supports both bills. Mr. Christian stated that from 20 to 33% of the cost of a new house, today, can be directly attributed to unnecessary

BUSINESS AND INDUSTRY COMMITTEE

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JAN. 26, 1981

subdivision or building code regulations, restrictive zoning ordinances, and lengthy permit processing delays. One third of the price of a new home is the result of government overregulation. Based on the average savings of 26%, a typical new home today should be priced at \$51,000 not \$69,000 the current median for a new home price.

Darold R. Schaffer of Schaffer & Sons, Inc of Kalispell stated his support of the bills. He stated that he supports the sale of bonds to provide mortgage funds for Board of Housing programs which provide more affordable interest rates for middle and lower income family housing. Such funds should provide advantages for Montana residents. 1) Family housing for families who otherwise cannot afford to purchase homes. 2) It also stimulates local economies through new housing construction. Mr. Schaffer stated that he felt most of such Board of Housing funds should be designated for new construction. New housing is much more energy efficient which is very important to the income level families which are beneficiary to the Montana Board of Housing programs. This point will become more important as energy cost continue to raise.

Neil Alred of the Board of Housing stated his support of the bills. He stated that people cannot afford monthly payments. Mr. Alred stated that he heartily endorses both bills as they provide a much needed program.

With no further proponents Senator Hazelbaker called upon the opponents. Hearing none, the meeting was opened to a question and answer period from the committee.

Senator Blaylock asked if this obligates the state to the bonds. Mr. Groff replied that it did not in any way bring about state obligation.

Senator Dover asked if this applies only to single family dwellings or also to multifamily dwellings. Mr. Groff replied that it also affects multifamily dwellings.

Mr. Groff also reported that all loans must meet FHA and VA standards before they can be approved.

Senator Goodover closed by briefly reviewing all of the testimony. He stated that he felt that the program has been more than successful in the past, and that it definitely has far reaching effect such as for lumber, jobs, hardware and etc. Senator Goodover stated that this is very beneficial to the entire economy.

CONSIDERATION OF SENATE BILL 143: Senator Frank Hazelbaker of Senate District 41, chief sponsor of Senate Bill 143, gave a brief resume of the bill. This bill is an act to allocate to the Board of Housing the amount of qualified mortgage bonds issued pursuant to section 103A of the Internal Revenue Code of 1954, as amended; designating areas of chronic economic distress; and providing and immediate effective date.

John Oitzinger of the Board of Housing stated his support of Senate Bill 143. Mr. Oitzinger also stated that this bill is intended to allocate money to the Board of Housing as called for by federal law. Without passage of this bill the Board of Housing would only be allocated 100 million. Mr. Oitzinger felt that we should take advantage of this federal subsidy and this bill would enable the Board of Housing to take the maximum advantage. This would also enable first time home owners to qualify for loans.

Mr. Lyle Olsen, administrator of the Board of Housing stood in support of this bill.

With no further proponents Chairman Hazelbaker called on the opponents, hearing none, the meeting was opened to a question and answer period from the committee.

Senator Dover reported that this would be for towns like Colstrip. It is a way to help a community.

Senator Hazelbaker closed by reviewing the testimony given. He also stated that state and local governments can continue to issue tax-exempt mortgage revenue bonds under legislation passed by Congress. The bill limits the bonds issued in a state each year to the greater of two figures: \$200 million or 9% of the average annual amount over the previous three years, and permits bonds only if the proceeds are used to purchase residences that cost no more than 90% of the average price for homes in that area.

ANNOUNCEMENT: The next meeting of the Business and Industry Committee will be held on Wednesday, January 28 at 10 a.m. to consider SB 106, SB 147, and SB 211.

ADJOURNMENT: With no further business the meeting was adjourned.


CHAIRMAN, SENATOR FRANK HAZELBAKER

ROLL CALL

BUSINESS and INDUSTRY COMMITTEE

47th LEGISLATIVE SESSION -- 1981

Date January 26

NAME	PRESENT	ABSENT	EXCUSED
Goodover, Pat - Vice Chairman	✓		
Hazelbaker, Frank - Chairman	✓		
Blaylock, Chet	✓		
Boylan, Paul	✓		
Dover, Harold	✓		
Kolstad, Allen			✓
Lee, Gary	<i>Late</i>		
Regan, Pat	<i>Late</i>		

Each day attach to minutes.

NAME: Lylo E O / 5000 DATE: 1-26-81

ADDRESS: 1050 Lockwood

PHONE: 442-2551

REPRESENTING WHOM? Mont Board of Housing

APPEARING ON WHICH PROPOSAL: 90 - 91 - 143

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

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NAME:

DATE: 1-26-81

ADDRESS:

PHONE:

REPRESENTING WHOM?

APPEARING ON WHICH PROPOSAL:

DO YOU:

SUPPORT?

AMEND?

OPPOSE?

COMMENTS:

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EDITORIAL AND EXECUTIVE OFFICES
5 S. Wabash Ave., Chicago 122, IL 60603
312/372-6890
Branch offices are listed on page 132.

Local Regs Average \$18,000/House



Take the time to read, digest, and then pass along—to your local building officials and government bureaucrats—this new and staggering housing cost statistic: From 20 to 33 percent of the cost of a new house, today, can be directly attributed to unnecessary subdivision or building code regulations, restrictive zoning ordinances, and lengthy permit processing delays.

That's right, as much as one-third of the price of a new home is now the result of government overregulation. And these are not estimated figures. They are real percentages derived from actual housing demonstration projects being built in selected markets under a new program conducted by the Department of Housing and Urban Development.

The program involves townhouse and single-family detached developments in Shreveport, La., Hayward, Calif., and suburbs of Pittsburgh, Pa., and Portland, Ore. Local officials in those cities were persuaded to accept minor modifications in prescriptive codes, to allow simple zoning variations and, most important, to accept a "one stop processing" system to reduce approval time. (Details are given on page 64 of this issue.)

As a result, the builders involved now are bringing to market houses priced well below similar units in their areas. The percentage differences are an accurate measure of the cost of unnecessary regulation. In the initial three cities, the figures are 20, 24 and 33 percent.

Based on the average savings of 26 percent, a typical new home today should be priced not at \$69,000 (the current median new home price), but at \$51,000. Multiplying by the 1.2 million new units that will be built this year results in a total of \$21.3 billion as a rough estimate of the cost of housing overregulation in 1980 alone—enough to finance an additional 417,000 badly needed new housing units.

Appalling? Yes. Surprising? Hardly.

It has been no secret that increasing local building regulations and processing delays have greatly added to the cost of building during the past decade. Builders have often 'guesstimated' that cost. A year ago, Rutgers University more scientifically pegged the figure at 20 percent. In an extensive 24-page analysis in January 1980, *Professional Builder* documented both direct costs and economic impact of such restrictions.

The initial report on the HUD program was given at no less than a White House press briefing in late October. A complete report on at least some of the projects in the study should be available this month. Copies can be obtained by addressing: Robert Gould, Department of Housing and Urban Development, Room 9208, Washington, D.C. 20410.

This is the type of background information that must get in the hands of our politicians, of every building regulator and local government official in this country.

If you don't put it in their hands, no one else will.

Roy L. Diez
EDITOR

For Further Solar Information . . .

Free information on passive and active solar energy systems is available from the federal government, state and local energy offices.

The following publications were recently released through the Department of Housing and Urban Development and the Department of Energy. Single copies are available free to builders by writing: National Solar Heating and Cooling Information Center, Box 1607, Rockville, Md. 20850.

• **A Survey of Passive Solar Homes** reviews more than 300 passive solar residences which are located throughout the United States. More than 100 com-

pleted passive solar homes are presented as case studies with the balance listed in a regional directory, including

Compiled by the American Institute of Architects Research Corporation in conjunction with HUD and DOE, the booklet also includes a discussion of the fundamentals of passive solar design, a glossary of terms, and a bibliography.

• **Is Solar Water Heating Right for You?** covers questions which many builders ask about these active solar systems. The pamphlet includes information on typical systems, estimated savings and initial costs, as well as considerations for choosing a solar

water heating system and installer.

• **Residential Solar Design Review** is basically a primer for solar design. Using a sketchbook approach, the booklet shows how active or passive solar features can be accentuated or concealed in a building's architectural style. The booklet also points out solutions for abiding by local design restrictions and strategies for siting production solar housing. The manual was prepared for HUD and DOE by the American Planning Association.

A bibliography of other free publications on solar energy also is available by writing NSHCIC.

Demo Program Cuts Costs Through Code, Regulatory Reform

A little-publicized Department of Housing and Urban Development demonstration project designed to show housing cost reduction possibilities through local code and regulatory reform has produced "exciting" results, according to presidential inflation fighter Alfred E. Kahn.

Kahn and HUD Assistant Secretary and FHA Commissioner Lawrence E. Simons reviewed preliminary results of the program at a recent White House briefing.

Basically through streamlined permit processing procedures and selective code modification, Kahn and Simon said, reductions of between \$13,000 and \$32,500 were achieved in prices of single-family homes, below market prices for similar units in the same test areas.

"I am not suggesting these results will reduce the CPI (Consumer Price Index) tomorrow," said Kahn, "but it is one example of the hundreds of endeavors we have been engaged in to try to reduce inflationary pressures."

Enlisting the cooperation of local officials and selected builders in each of the four areas, permit processing times were cut between 15 percent and 30 percent, Kahn said, while "minor" modifications in prescriptive codes allowed builders to cut production costs significantly.

As a result, said Kahn, "the price of homes has been reduced by 20, 24 and 33 percent in the three areas where the demonstration has been completed." The project in a fourth area, the Clark County suburban area of Portland, Ore., has been delayed, Kahn said, basically

due to the Mt. St. Helens eruptions.

The project was pieced together only last May in the wake of a White House conference on

Four test markets

Four market areas were selected on the basis of geographic spread, "good" housing markets, local government interest and a suitable mix of small city and suburban development areas. Clark County, Ore. and Allegheny County, Pa., (which contains Pittsburgh) were chosen as suburban sites, while Hayward, Calif., and Shreveport, La., were selected as the "small cities."

Enlisting cooperation of local officials in each area, "one-stop" permit processing procedures were instituted, along with modifications to zoning ordinances to permit higher-density siting and code modification to permit use of lower cost and/or "less time-consuming" materials and building techniques.

In Shreveport, for example, several modifications in prescriptive codes have been made for the purposes of the demonstration program. They include;

- 1) Use of plastic pipes
- 2) Installation of non-cantilevered roof trusses.
- 3) Placement of studs 24 inches on center.
- 4) Use of a single jack under windows.
- 5) Installation of 2'8" x 4'4" window units.
- 6) Elimination of some fire walls between attached units, specifically on ceilings, where effectiveness is in question.

7) Reduction in street width requirements.

Some 75 attached townhouse units have been built or are under construction on three central city sites in Shreveport. Some 13 of the first 16 units completed (basically one to three bedroom units with 1½ to 2½ baths and either carports or two-car garages) were sold by mid-September at 20% less than comparable homes in the area, according to HUD. The participating builder at Shreveport is Beal Lock.

Factory-built homes

A total of 26 homes are under construction, 13 each on two sites, in the Allegheny County suburban area near Pittsburgh. Ryan Homes is the participating builder. The units are described as detached, factory-built homes and will sell, according to HUD, for between \$42,000 and \$45,000, or 24 percent less than the market.

In Hayward, Specialty Building Co. (Luckham) will build 58 townhouse units on a central city site. Expected to be ready for sale this month, the units are to sell for between \$53,000 and \$65,000, or 33 percent below comparable homes in the area.

A unique feature of the Hayward project will be the inclusion of energy conservation innovations expected to reduce energy consumption by 80 percent, according to HUD. Features will include added insulation and double glazed windows.

In Clark County, Ore., Rossiter Glen, Inc. will build 100 single-family detached units in a suburb north of Portland. ■

NAME: DAROLD R. SCHAFFER DATE: 1-26-81

ADDRESS: 255 LAKE BLAINE RD. KALISPELL, MT.

PHONE: 755-2727

REPRESENTING WHOM? SCHAFFER & SONS INC.

APPEARING ON WHICH PROPOSAL: BOARD OF HOUSING - 143 90, 91 &

DO YOU: SUPPORT? X AMEND? OPPOSE?

COMMENTS: ↓ SALE OF BONDS TO PROVIDE MORTGAGE FUNDS

FOR BOARD OF HOUSING - PROGRAMS WHICH PROVIDE MORE

AFFORDABLE INTEREST RATES FOR MIDDLE & LOWER INCOME

FAMILY HOUSING

SUCH FUNDS SHOULD PROVIDE THE FOLLOWING ADVANTAGES

FOR MONTANA RESIDENTS

1. FAMILY HOUSING FOR FAMILIES WHO OTHERWISE CANNOT AFFORD
TO PURCHASE HOMES.
2. STIMULATE LOCAL ECONOMIES THROUGH NEW HOUSING
CONSTRUCTION - MOST OF SUCH BOARD OF HOUSING FUNDS
SHOULD BE DESIGNATED FOR NEW CONSTRUCTION.

NOTE: NEW HOUSING IS MUCH MORE ENERGY EFFICIENT WHICH
IS EXTREMELY IMPORTANT TO THE INCOME LEVEL
FAMILIES WHICH ARE BENEFICIARY TO THE MBH
PROGRAMS. THIS POINT WILL BECOME MORE
IMPORTANT AS ENERGY COST CONTINUE TO RISE

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NAME: Linda Ferrey DATE: Jan. 26, 1981

ADDRESS: Route 1, Box 4B Townsend, Mt

PHONE: 266-3895

REPRESENTING WHOM? Board of Housing

APPEARING ON WHICH PROPOSAL: SB 90, SB 91, SB 143

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENTS: _____

JOHN OITZINGER

1/26/81

203 N. Ewing Helen

442-1300

Barro of Housing

5B 90, 91 & 143

OPPOSE? _____

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