HB 2006/Mortgage Interest Deduction reform: Impacts on the State's housing funding

How will the revenue generated by HB 2006 be used to increase homeownership and housing opportunity? While we are awaiting an official fiscal analysis from LRO, we expect HB 2006 would generate a minimum of $100 million per biennium.

HB 2006 specifies that the revenue be transferred *"to the Oregon Housing Fund created under ORS 458.620, to be credited to the following accounts in the fund: (a) Fifty percent to the Home Ownership Assistance Account; (b) Twenty-five percent to the General Housing Account; and (c) Twenty-five percent to the Emergency Housing Account."*

These existing accounts at Oregon Housing and Community Services (OHCS) include the following programs, all of which currently are funded well below the level of need throughout Oregon:

- **Home Ownership Assistance Account (50%)** – invests in homeownership opportunities for Oregonians with low and moderate incomes (up to 80% of median family income), including down payment assistance to eligible homebuyers; homebuyer education classes provided by community-based nonprofits; and development of single-family homes.

  Currently, the Home Ownership Assistance Account's sole source of funding is the document recording fee. In FY 2016, document recording fee revenues generated a total of $14,588,932. Of that total, by statute 14% or $2,042,450 was allocated to the Home Ownership Assistance Account. Due to the low level of funding, the agency currently does not exercise its statutory authority to develop single-family homes for qualified low and moderate income Oregonians.

  For context, the Housing Alliance agenda includes a $10 million request for down payment assistance (HB 3192) and $25 million for a revolving-loan homeownership development fund (HB 2570). If more funding became available, these programs as well as statewide homebuyer education/counseling programs could be significantly ramped up, providing thousands of Oregonians with low and moderate incomes who are ready for homeownership, the opportunity to become first-time homebuyers.

- **General Housing Account (25%)** – funding for multifamily rental housing development, with flexible uses including capital grants and loans for the development of rental housing; preservation of existing affordable housing; development and operation of permanent supportive housing for people experiencing homelessness.

  This account also is funded solely by the document recording fee. By statute, the General Housing Account receives 76% of proceeds. In FY 2016, the General Housing Account received $11,087,588.

  For context, the Housing Alliance agenda includes an ask of $100 million to preserve existing affordable housing. The pipeline of need for building new affordable rental housing numbers in the tens of thousands of units. While the General Housing Account is not the State's only source of funding for rental development, there is considerable uncertainty about Federal funding and tax credit programs under the current administration.

- **Emergency Housing Account (25%)** – the Emergency Housing Assistance (EHA) program assists low- or very low-income persons who are homeless or are at risk of becoming homeless, with services such as emergency and transitional shelter, transitional housing, and rapid re-housing assistance. This program receives General Fund support as well as 10% of document recording fee proceeds. In the 2017-19 budget, this program is budgeted at $6,696,832 and the 2017-19 document recording fee amount is $3,089,874, resulting in a 2017-19 EHA total of $9,786,706.

  For context, the Housing Alliance EHA ask for 2017-19 is $50 million. Passage of HB 2006 could help close the funding gap for EHA. Each $5 million investment will provide rent assistance or other flexible, short-term supports to at least 3,000 families experiencing or at risk of becoming homeless.

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