



HB 2374 Incentivizing Construction of Workforce Housing

Testimony for House Revenue – John Calhoun – 3.4.2019

This bill highlights the fact that the cost of housing is not just an urban problem, but a serious issue that is impacting residents across the state. When land is available for construction, market forces push developers to maximize the house size and price for each piece of land so that lower priced housing is not being built to meet the increasing demand. HB 2374 uses tax credits to motivate developers to build smaller, more affordable housing.

We support the goals of this bill but we have serious issues with many aspects of how it intends to solve this problem. This bill is not substantially changed from an almost identical bill submitted last year. We laid out our objections in detail then. They all remain. They include the following:

- Given the significant demand for this subsidized housing and the limited scope of this funding, the bill is silent on who gets to decide who will get this benefit and how it will be allocated across the state.
- Getting the right to purchase one of these houses is then the equivalent of winning a lottery. After 11 years, the owner is free to sell to any purchaser at any price. This means that they have been gifted the mark-up, despite the state tax credit subsidy and the house will likely no longer serve the need for which the subsidy was created.
- Given the cost of land, we don't think limiting the usage to single family housing will allow it to be used in most of our high-population or coastal areas. This eliminates the use of townhouse, duplex, or condominium solutions which are more cost effective and could serve more people.
- We much prefer using direct subsidies rather than tax credits if the developer is a nonprofit or government entity. Transferring tax credits is a wasteful approach that just provides brokers, lawyers and bankers with a complicating piece of the tax benefit.
- \$10 million per year would likely only provide 200 units per year at 1,000 square feet each. If we used this approach to add 100,000 affordable homes in Oregon it would cost \$5 billion. This is not affordable for the state's taxpayers.

We urge this committee to reject HB 2374 as written until it can address the above concerns, defines "affordable" and redirects the subsidy toward less advantaged citizens. All other housing subsidies are aimed at those at 80% of AMI or below and don't exceed \$20,000. This bill would provide up to \$60,000 in benefits for those with 120% of AMI or below.

Reducing the amount to \$5 million per year and assuring that at least 35% of funds will be invested in less populated counties per the amendments does not change any of the points we have made.

We read the bills and follow the money