

HB 2584 -2 STAFF MEASURE SUMMARY

House Committee On Housing

Prepared By: Claire Adamsick, LPRO Analyst

Sub-Referral To: House Committee On Revenue

Meeting Dates: 1/28

WHAT THE MEASURE DOES:

Increases tax credits available to affordable housing lenders from \$25 million to \$35 million in a given fiscal year. Increase applies to tax years beginning on or after January 1, 2022. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

- History and mechanics of tax credit in supporting development of affordable housing
- How cost savings via a low interest rate loan are passed on to support rent reduction
- Long-term affordability of units utilizing the exemption

EFFECT OF AMENDMENT:

-2 Allows loan proceeds to finance the construction, development, acquisition or rehabilitation of housing, if a qualified borrower certifies that the housing is or will be occupied by households earning less than 80 percent of area median income. The housing preserved by the loan must be the subject of a rent assistance contract with a federal, state or local government which limits rent to no more than 30 percent of a tenant's income.

Modifies period in which tax credit is allowed to 30 years for projects that utilize rural development loans for housing construction, acquisition or a preservation project. Retains 20-year period for all other qualified loans.

BACKGROUND:

The Oregon Affordable Housing Lender's Credit allows lending institutions to reduce interest rates on qualified loans for the construction, development, acquisition, or rehabilitation of a manufactured dwelling park, low-income housing, or preservation project previously developed as affordable housing through federally funded assistance. The credit covers up to four percent of the unpaid balance of a qualified loan during the tax year in which it is claimed. In order to be eligible for a lower interest rate, the loan recipient must pass on the savings from the reduced interest rate to tenants by lowering or maintaining rent so that it does not exceed 80 percent of area median income.

The current cap on credits that can be granted in a given fiscal year is \$25 million. The existing program is scheduled to sunset December 31, 2025.

House Bill 2584 increases the annual tax credit available to affordable housing lenders to \$35 million per year, applicable to tax years beginning on or after January 1, 2022.