

HB 2584 A STAFF MEASURE SUMMARY

House Committee On Housing

Action Date: 02/18/21

Action: Do pass with amendments and be referred to Revenue by prior reference. (Printed A-Eng.)

Vote: 8-0-0-0

Yeas: 8 - Campos, Fahey, Marsh, Meek, Morgan, Neron, Weber, Zika

Fiscal: No fiscal impact

Revenue: Revenue impact issued

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Meeting Dates: 1/28, 2/18

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. Allows loan proceeds to finance 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. Requires that housing financed by the loan 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. Increases 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. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

- History and mechanics of tax credit in supporting supply 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:

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 financed 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.

Increases 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.

House Bill 2584 A increases the annual tax credit available to affordable housing lenders from the current cap of \$25 million to \$35 million per year, applicable to tax years beginning on or after January 1, 2022. The existing program is scheduled to sunset December 31, 2025.