HB 2465 -2 STAFF MEASURE SUMMARY

House Committee On Housing and Homelessness

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Sub-Referral To:	Joint Committee On Tax Expenditures
Meeting Dates:	1/26, 2/21

WHAT THE MEASURE DOES:

Allows eligible borrowers utilizing affordable housing lender tax credit to use loan proceeds to finance the construction, development, acquisition, or rehabilitation of limited equity cooperative housing. Defines limited equity cooperative as cooperative corporation in which the sale of ownership interests is restricted to low-income individuals, and may not exceed the original sales price, plus the cost of permanent improvements made to the unit or the to the building in which the unit is located. Applies to tax years beginning on or after January 1, 2024. Takes effect on the 91st day following adjournment sine die.

FISCAL: Fiscal impact issued
REVENUE: Minimal revenue impact

ISSUES DISCUSSED:

- Resident ownership opportunity for low-income populations
- Engagement with public to mitigate pushback or appeals
- Modeling financing strategy after manufactured housing co-ops
- Funding barriers to projects that do not fit with traditional rental or ownership models

EFFECT OF AMENDMENT:

-2 Clarifies that limited equity co-op ownership interest sales price may include return on original sales price plus cost of improvements, computed based on the greater of the percentage increase of Consumer Price Index or three percent interest, compounded annually. Expands recipients of reduced housing payments based on tax credit to include holders of proprietary leases in a limited equity cooperative.

BACKGROUND:

The Oregon Affordable Housing Lender Tax 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.

Limited equity cooperatives are one example of a shared-equity homeownership model, which aims to provide permanent affordability for low-income homeowners. In this model, a community land trust or other entity acquires or purchases the underlying land and leases the land to a limited equity housing co-op. The co-op offers the housing at an affordable rate with limited equity to residents, and manages the housing as well as improvements on the land. A long-term ground lease agreement binds the two entities in a partnership.

House Bill 2465 allows eligible borrowers utilizing the affordable housing lender tax credit to use loan proceeds to finance the construction, development, acquisition, or rehabilitation of limited equity cooperative housing.