

Oregon Affordable Housing Lender Tax Credit

Joint Committee on Tax Expenditures

3/10/2023

Oregon Legislative Revenue Office



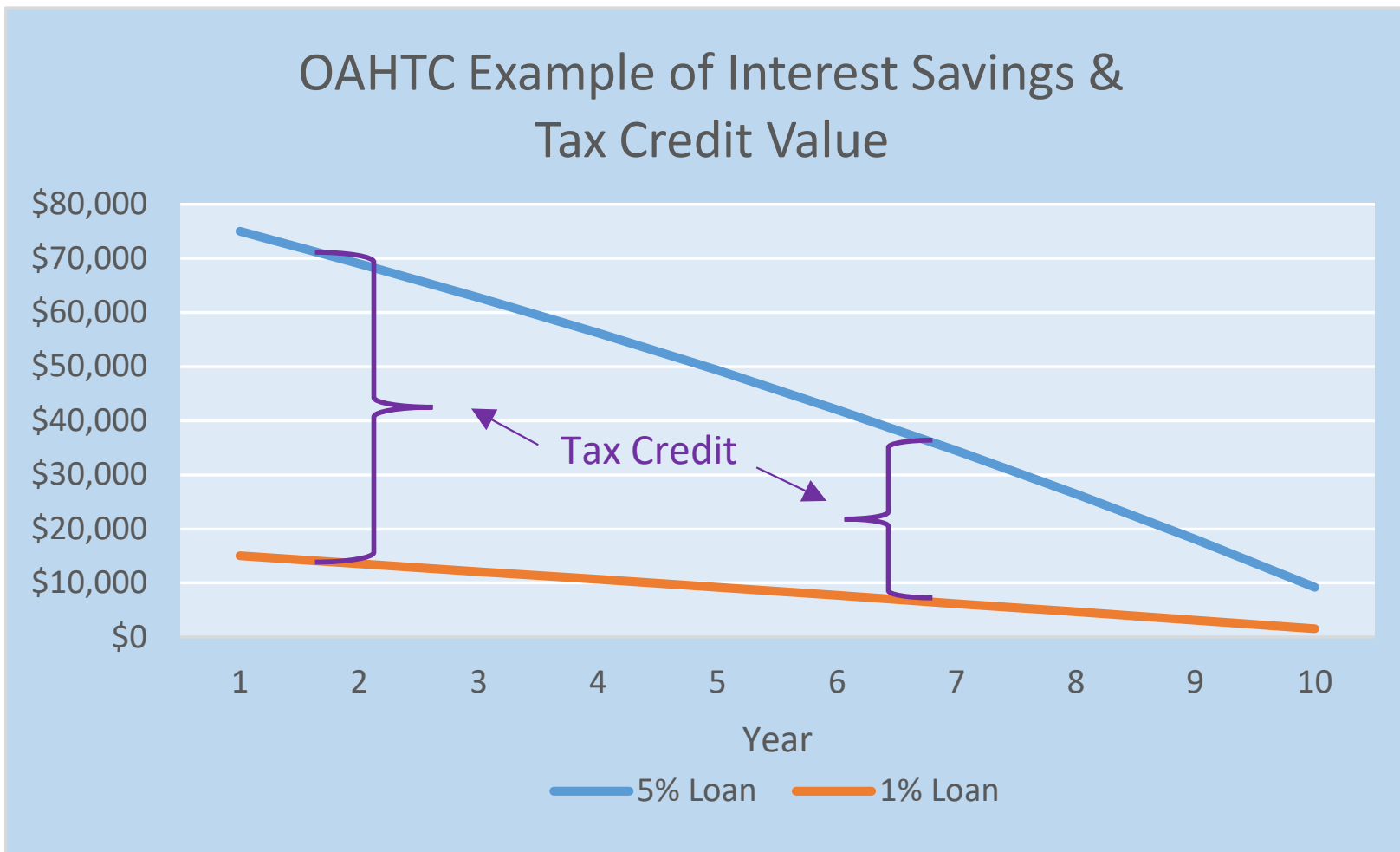
Oregon Affordable Housing Lender Credit (OAHTC)

- **Purpose:** Support development of affordable housing, preserve housing with federal rent subsidy contracts, preserve manufactured dwelling parks
- Lenders that make qualified low-interest loans are allowed a tax credit equal to the difference between the rate offered and the market rate, up to a 4% difference
- **Eligible projects:** construction, development, acquisition, or rehabilitation of low-income housing, a preservation project, or a manufactured dwelling park preservation project (nonprofit, state/local govt., housing authority)
- Loans must be certified by the Oregon Housing & Community Service Department (OHCS)
- There is a program cap of \$35 million in outstanding tax credits
- Low-income housing is required to pass on the savings from the reduced interest rate to tenants in the form of reduced housing payments, no requirement for preservation projects or manufactured dwelling park preservation projects
- **General parameters** (ex. *manufactured dwelling park*): Occupancy limited to households < 80% of area median income, 20 to 30 year affordability rental requirements





Interest Income for Lender





Interest Income for Lender

An OAHTC Example \$1.5 Million Loan 10-Year Term							
Year	Loan with a 5% Interest Rate			Loan with a 1% Interest Rate			Tax Credits
	Principal	Interest	Payment	Principal	Interest	Payment	
1	\$119,257	\$75,000	\$194,257	\$143,373	\$15,000	\$158,373	\$60,000
2	\$125,220	\$69,037	\$194,257	\$144,807	\$13,566	\$158,373	\$55,471
3	\$131,481	\$62,776	\$194,257	\$146,255	\$12,118	\$158,373	\$50,658
4	\$138,055	\$56,202	\$194,257	\$147,717	\$10,656	\$158,373	\$45,546
5	\$144,957	\$49,299	\$194,257	\$149,195	\$9,178	\$158,373	\$40,121
6	\$152,205	\$42,052	\$194,257	\$150,687	\$7,687	\$158,373	\$34,365
7	\$159,816	\$34,441	\$194,257	\$152,193	\$6,180	\$158,373	\$28,262
8	\$167,806	\$26,450	\$194,257	\$153,715	\$4,658	\$158,373	\$21,793
9	\$176,197	\$18,060	\$194,257	\$155,253	\$3,121	\$158,373	\$14,940
10	\$185,007	\$9,250	\$194,257	\$156,805	\$1,568	\$158,373	\$7,682
Total	\$1,500,000	\$442,569	\$1,942,569	\$1,500,000	\$83,731	\$1,583,731	\$358,837





Affordable Housing Lender – Flow of Benefit

Lending Institution	Qualified Borrower	Affordable Housing Tenants
<p>Absent credit, would lend at interest rate of 5%</p> <p>With credit, lends to qualified borrower at 1%</p>	<p>Benefits from being able to borrow at 1% instead of 5%</p> <p>Pass Through Required: Interest rate savings are passed through to tenants in the form of reduced housing payments</p> <p>Pass Through not Required: Interest rate savings accrue to qualified borrower</p>	<p>Pass Through Required: Tenants benefit directly from credit through additionally reduced housing payments</p> <p>Pass Through not Required: When no rent pass through required, tenants benefit from preservation of affordable housing (housing subject to other affordability restrictions)</p>



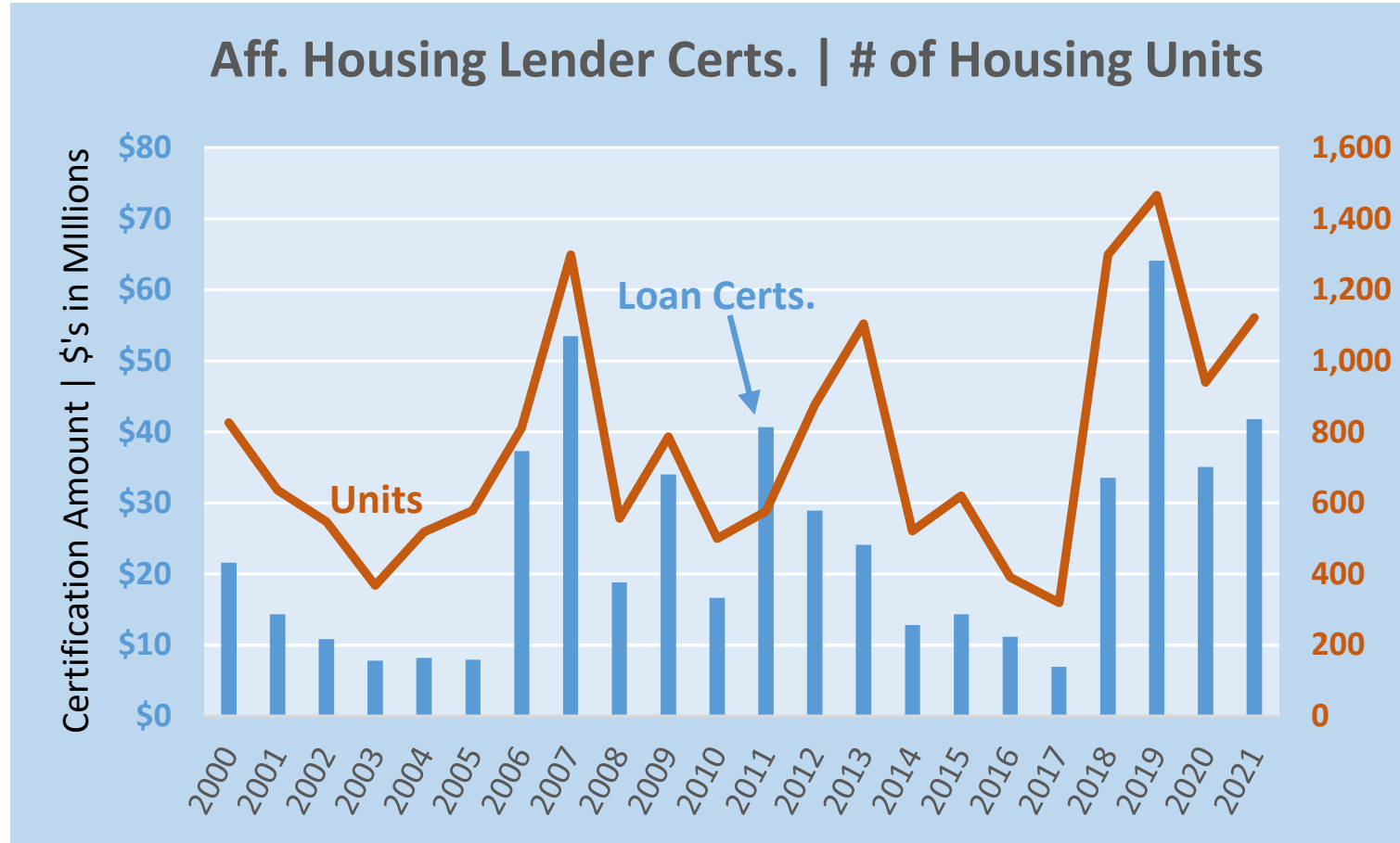
Rent Pass-Through Requirement

- Passing tax benefit through to tenants (about 40% of OAHTC loan amount)
 - OHCS Tax Credit Program Manual
 - Savings passed through directly to tenants
 - Does not need to be distributed evenly among units (can focus on lower income units)
 - Savings and rent passed through may be amortized
 - Must represent additional reduction in rent when paired with other programs
 - Rental units covered by project based voucher assistance do not qualify as pass-through demonstration



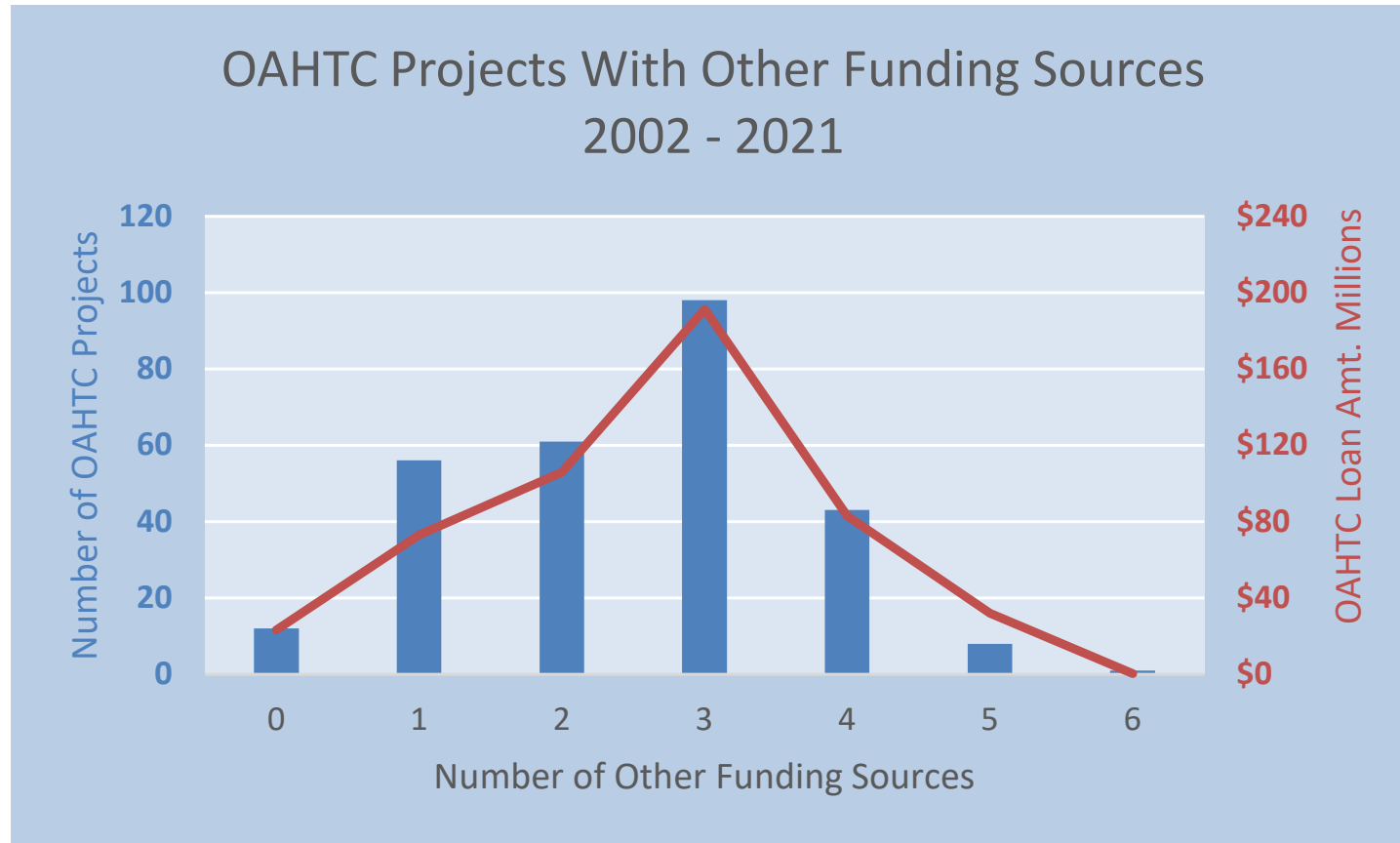


Loan Certifications & Housing Units





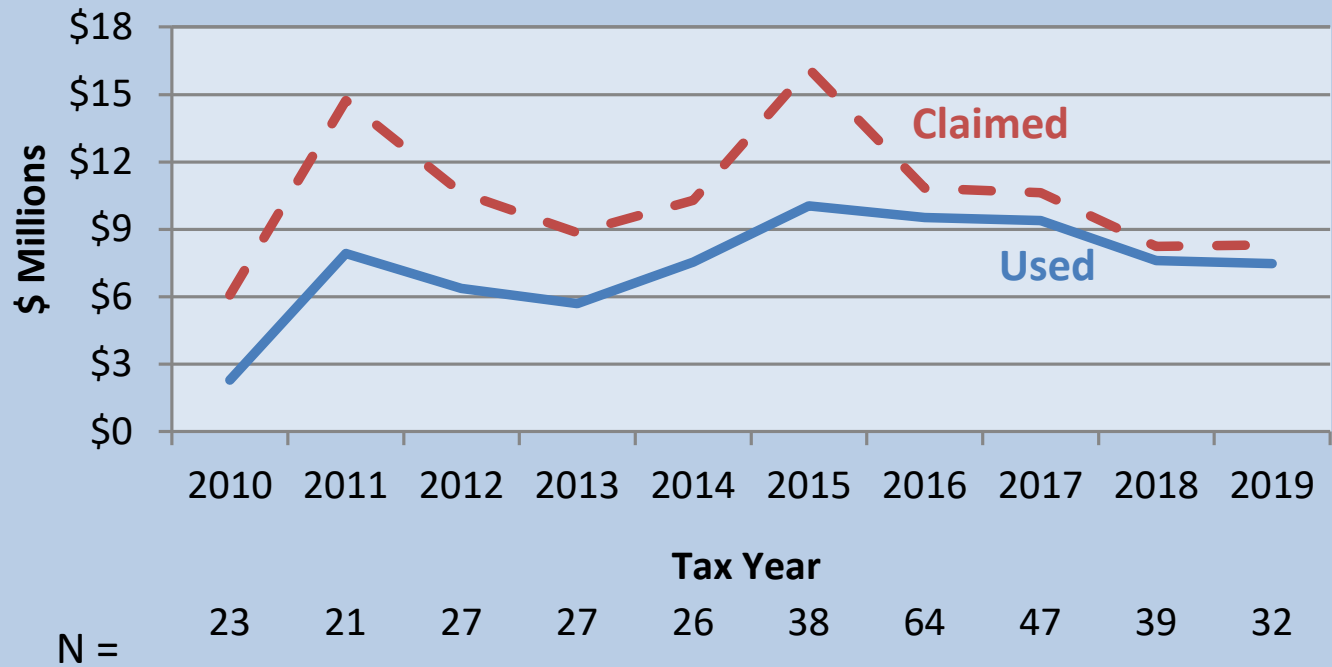
Interaction with Other OHCS Administered Housing Programs





Historic Cost of Credit

Cost of Affordable Housing Lender Tax Credit





Cost to Extend Credit

- Timing of revenue impact for sunset extension from 1/1/2026 to 1/1/2030

Measure Description:

Extends sunset of tax credit for affordable housing lenders from January 1, 2026 to January 1, 2030.

Revenue Impact (in \$Millions):

	Biennium		
	2023-25	2025-27	2027-29
General Fund	\$0.0	-\$0.8	-\$4.1





Related Direct Spending

<i>Direct Spending Program</i>	2021-23 Legislatively Adopted Budget (\$M)		
	<i>General Fund</i>	<i>Other Funds</i>	<i>Federal Funds</i>
Land and Property Acquisition	\$40.0		
Smaller/Rural Affordable Housing Projects	\$35.0		
Document Recording Fee ¹		\$54.0	
Public Purpose Charge Funds		\$19.7	
Program Fee Funds		\$13.1	
Home Investment Partnership Program			\$24.0
Affordable Rental Housing			\$13.2
Affordable & Supportive Housing Units ²		\$410.0	
Federal Low Income Housing Tax Credits			\$95.0

¹ Fee supports multi-family affordable housing construction, raises approximately \$27M per year

² Article XI-Q general obligation bond proceeds for Local Innovation & Fast Track (LIFT) and Permanent Supportive Housing Programs



Legislative Revenue Office

<https://www.oregonlegislature.gov/lro>

503-986-1266

[2023 Tax Credit Report](#)

State of Oregon

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