

# SB 861: EXPERT TESTIMONY

3/29/2023



# DISCLOSURE

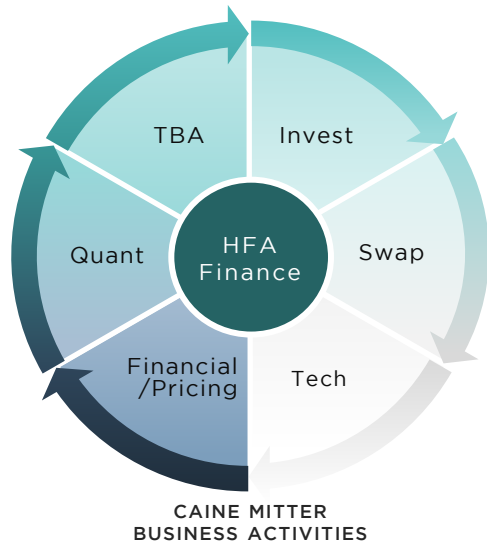
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# CAINE MITTER **MUNICIPAL ADVISOR**



## Full range of HFA capital markets services

Caine Mitter and its predecessor firms have been providing capital markets municipal advice to housing finance agencies since 1978

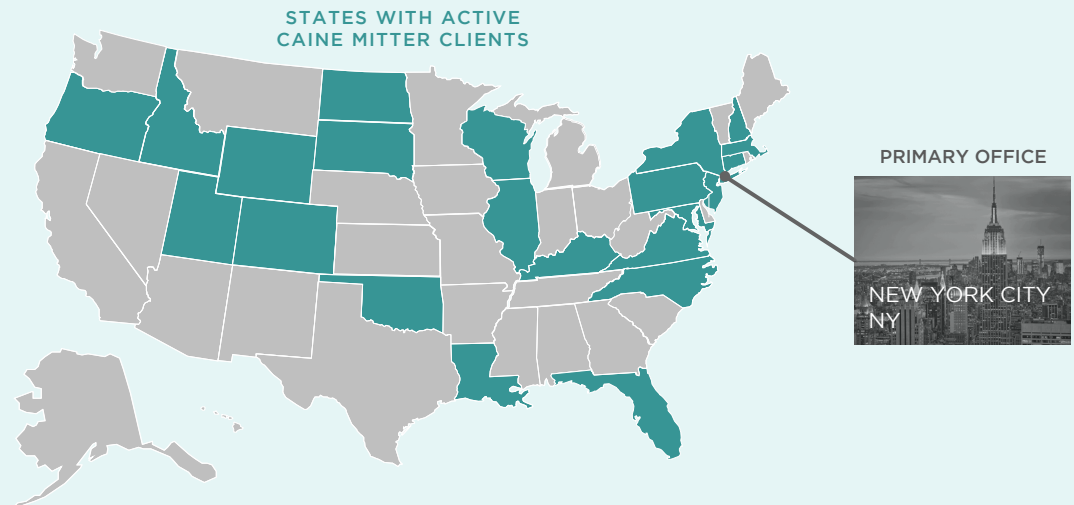
Over 99% of the firm's activities relate to affordable housing

We have acted as an advisor to over 36 housing finance agencies and have been consistently ranked #1 or #2 by Securities Data throughout the history of the firm

Our clients include the Oregon Housing and Community Services Department (1978) and the Oregon Department of Veterans' Affairs (2009); we are not testifying on their behalf today

## Nationwide presence

Caine Mitter has 29 active housing clients, including 23 state-level agencies and 6 locals. Our clients operate a broad range of sophisticated housing programs to meet the specific challenges of the people they serve.



# 501(c)(3) BONDS **FOR AFFORDABLE HOUSING**

The economics for financing affordable housing are difficult. The most important contribution is the Low Income Housing Tax Credit (“LIHTC”). The State of Oregon is fully exhausting available LIHTCs through the use of 9% LIHTC projects and, through the issuance of tax-exempt private activity bonds, 4% LIHTC projects. To do more affordable housing, the State needs to provide additional direct financial support through grants and subordinate loans. To maximize the affordable housing resulting from such support, there needs to be efficient leveraging of resources. One important way to do this is through the use of tax-exempt 501(c)(3) bonds issued by the State through the Housing and Community Development Department which acts as the State’s Housing Finance Agency (“HFA”).

## **Advantages of housing financed with tax-exempt 501(c)(3) bonds include:**

- “Complete housing units”
- At minimum, (1) at least 75% of the total units must be 80% of area median income (“AMI”) or below, *and* (2) at least (a) 20% of the total units must be 50% of AMI or below, *or* (b) 40% of the total must be 60% of AMI or below
- Tax-exemption provides lower interest rate on first mortgage than commercial market
- Up to 40-year amortization on first mortgage depending on financing structure resulting in lower monthly payments
- Potentially better mortgage terms depending on structure
- Potential for property tax avoidance
- Higher leveraging of State and local resources