HB 2465 A STAFF MEASURE SUMMARY

Joint Committee On Tax Expenditures

Prepared By: Kyle Easton, Economist
Meeting Dates: 4/7

WHAT THE MEASURE DOES:

Expands affordable housing lender tax credit to eligible borrowers using 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 the sale price is restricted to the sum of the original sales price paid plus the cost of permanent improvements made to the unit or to the building in which the unit is located, after annually adjusting such amounts using a specified inflationary factor. Requires full amount of savings from reduced interest rate resulting from tax credit to be passed on to tenants or limited equity cooperative lease holders. Applies to tax years beginning on or after January 1, 2024. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Corporations that make qualified loans at below market interest rates for eligible housing projects are allowed a tax credit equal to the difference between the finance charge on the loan and the finance charge that would have been imposed if the loan were issued at market interest rates, up to a difference of four percentage points. Tax credit eligible housing projects include the construction, development, acquisition, or rehabilitation of specified housing: a manufactured dwelling park, low-income housing, or a preservation project. Measure expands credit to include limited equity cooperative property within the definition of eligible housing.

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, the co-op member signs a proprietary lease, and the co-op owns the property and manages improvements on the land. A member may sell the unit for the same price they paid plus the cost of any improvements annually adjusted using an inflationary factor. In certain projects, a community land trust purchases the land through a 99-year ground lease subject to an affordability covenant for the duration of the lease.