HB 2465 A STAFF MEASURE SUMMARY

House Committee On Housing and Homelessness

Action Date:	02/21/23
Action:	Do pass with amendments. Refer to Ways and Means, then to Tax Expenditures by prior reference. (Printed A-Eng.)
Vote:	11-0-0-0
Yeas:	11 - Boice, Cate, Dexter, Fahey, Gamba, Hartman, Helfrich, Helm, Javadi, Levy E, Wright
Fiscal:	Fiscal impact issued
Revenue:	Revenue impact issued
Prepared By:	Claire Adamsick, LPRO Analyst
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, the cost of permanent improvements made to the unit or to the building in which the unit is located, plus specified interest earned on the property. Applies to tax years beginning on or after January 1, 2024. Takes effect on 91st day following adjournment sine die.

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:

Clarifies that limited equity co-op ownership interest sales price may include return on original sales price plus cost of improvements, 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, 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 and an annual interest rate. 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.

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