HB 2653 A STAFF MEASURE SUMMARY

House Committee On Housing and Homelessness

Action Date:	03/21/23
Action:	Do pass with amendments and be referred to Tax Expenditures by prior reference. (Printed A-Eng.)
Vote:	8-1-2-0
Yeas:	8 - Cate, Dexter, Fahey, Gamba, Hartman, Helfrich, Javadi, Levy E
Nays:	1 - Boice
Exc:	2 - Helm, Wright
Fiscal:	Has minimal fiscal impact
Revenue:	Revenue impact issued
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Meeting Dates:	1/24, 3/21

WHAT THE MEASURE DOES:

Creates a credit against income taxes for a qualifying sale of publicly supported housing. Defines a qualifying sale as one which extends affordability restrictions by at least 30 years to households earning 80 percent or less of area median income, and which applies to properties for which the 24-month first right of refusal period has not expired. Extends expired or expiring restrictions to applicable dwelling units unless restriction was based on project-based assistance program that has been terminated by the issuing agency. Requires purchaser to supply Oregon Housing and Community Services Department (OHCS) with information regarding intended use and projected duration of units as affordable housing. Allows OHCS to establish applicant review process in rule. Describes provisions of taxpayer credit based on length of ownership, and allows the Department of Revenue to adopt rules to carry out provisions. Allows taxpayer to carry forward any unused tax credits for up to three successive years. Limits total tax credits under these provisions to no more than $3 million for all taxpayers per calendar year. Applies to tax years beginning on or after January 1, 2024 and before January 1, 2030. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Common conversion of expiring publicly funded properties to market-rate housing
- Streamlining real estate transactions for properties changing ownership
- Options to make units permanently affordable or affordable for longer than a 30-year period
- Capitol needed to renovate property after long-time ownership
- Right of first refusal for local governments in purchasing property that will be withdrawn from publicly funded affordable housing
- Limitations of bridge loan financing in funding affordable projects
- Applicability of use agreement when property is sold; restriction does not apply in foreclosure
- Long-term effectiveness of tax credit in preserving affordable properties
- Affordability clarifications contained in amendment

EFFECT OF AMENDMENT:

Clarifies a qualifying sale applies to publicly supported housing on or before the expiration of the right of first refusal and adopts affordability restrictions for at least 30 years. Extends expired or expiring restrictions to applicable dwelling units unless restriction was based on terminated project-based assistance program; requires, for other dwelling units, rental rates be affordable to households earning 80 percent of area median income.

BACKGROUND:

Publicly supported housing is defined as multifamily rental housing developments of five or more units which are developed using federal and state financing. These properties are subject to affordability restrictions which guarantees that the units built will remain affordable, typically for a minimum of 30 years.

According to Oregon Housing and Community Services' (OHCS) publicly supported housing inventory, affordability restrictions will expire on over 7,500 units within the next ten years. Through House Bill 2002 (2017) and House Bill 2002 (2019), and House Bill 3113 (2021), the Legislative Assembly established notice requirements, clarified exemptions on rent increase limits, and required owners of publicly supported housing to give OHCS and local governments first right of refusal in purchasing a property that will be withdrawn from publicly supported housing.

House Bill 2653 A creates an income tax credit for the seller of publicly supported housing that will be retained as affordable housing for at least 30 years, and is affordable to households earning 80 percent or less of area median income, except in cases where the affordability restriction was based on a project-based rental assistance program terminated by the issuing agency. The measure limits the total tax credits to no more than $3 million for all taxpayers per calendar year, and applies to tax years beginning on or after January 1, 2024 and before January 1, 2030.