

April 3, 2023

Senate Committee on Finance and Revenue
900 Court Street NE
Salem, OR 97301

RE: Support for SB 225

Chair Meek, Vice-Chair Boquist, Members of the Committee,

Metro supports SB 225, which will allow OHCS to coordinate, create surety, and reduce needless cost escalation while they manage the statewide affordable housing pipeline.

Oregon simply doesn't have enough affordable homes for people who need them. Homelessness and the lack of affordable housing are directly linked, and far too many Oregonians are struggling to afford a roof over their head and put food on the table. Over the last several biennia, Oregon has committed significant state resources to build and maintain affordable housing through general fund dollars, lottery bonds, and other sources. State investments in affordable housing have nearly tripled over the last five years. In addition, local and regional governments have put forward, and voters have supported, almost \$1 billion in capital bond measures in the City of Portland and the greater Portland region to build more affordable housing in our communities.

In 2018, Metro voters approved an affordable housing bond that will have generated over \$650 million with the goal of creating homes for approximately 12,000 people through the creation of 3,900 affordable homes. In May 2020, voters in greater Portland approved a Supportive Housing Services measure to fund services for people experiencing or at risk of homelessness. Additionally, housing developers across Oregon are ready with plans and proposals to both build new affordable housing as well as to maintain existing affordable housing in our communities. Housing providers, together with the state's housing finance agency have a long track record of success in this work and are ready to do more.

Private Activity Bonds (PABs) are a key source of funding available for both affordable housing development and preservation, and it is critical that the state commit every dollar of PABs towards affordable housing. When PABs are committed for affordable housing, they in turn bring the availability of federal resources through the federal Low Income Housing Tax Credit (LIHTC) program. The 4% LIHTC is only available when paired with PABs. Currently, to access the 4% LIHTC resources, fifty percent of the project must be funded with PABs. However, in 2022 Oregon reached its cap on the allocated amount of PABs. The practical impacts of reaching our PAB cap means, that without congressional action, the state, local governments, and private developers will be limited in their ability to finance affordable housing developments which will ultimately reduce the overall affordable homes developed in Oregon.

Metro, OHCS and other statewide partners have been working with the Oregon congressional delegation to try to either increase the PAB allocations to states or decrease the amount of PABs that are needed to fund an affordable housing project for developers to be able to leverage the

4% LIHTC program. In the meantime, OHCS has come up with a solution, SB 225, to make the best use of a constrained resource while we wait to see if Congress will act.

SB 225 will:

- **Create surety and coordination.** There is currently no way to coordinate affordable rental housing project selection for PAB resources across entities in the state, creating uncertainty in the number of projects that can be completed.
- **Reduce needless cost escalation.** OHCS cannot close on the complex financing of affordable housing deals during the "blackout period" that begins at the new biennium (June 30 of odd numbered years) and ends with the Governor signing the bond authorization bill. Even a one-week delay in closing can lead to cost increases due to tax credit pricing and other costs (labor, supply, insurance).

We urge your support.

Sincerely,

Jenna Jones
State and Regional Affairs Advisor
Metro