



Local Support for Affordable Housing Through Property Tax Exemptions HB 2354

Too many Oregon families do not have a safe, stable place to call home. Housing gives us the opportunity to build a better life, yet housing is out of reach for many of us. In communities across the state, there isn't enough housing that's affordable to working families, seniors or people with disabilities. We need to maintain the tools and strategies that work to make housing accessible to all Oregonians.

We all have an interest in a community where everyone has a safe, stable place to call home. We can't thrive as a community when either we or our neighbors can't afford to pay rent and still buy groceries and medicine. One of the ways we ensure people in our communities have a home they can afford is by allowing local governments to exempt affordable housing properties from paying property taxes, thereby lowering rents to make housing accessible to more community members.

HB 2354 will allow local communities to exempt affordable housing developments from paying local property taxes by extending the sunset on ORS 307.540 to 307.548. This small investment can help maintain stable communities. The Housing Alliance is proposing that the sunset be extended from the current sunset of July 1, 2014 until July 1, 2027. This proposal simply extends the sunset. It makes no other changes to the law.

This statute allows local taxing jurisdictions to adopt a property tax exemption program and to process requests for exemption for specific properties owned by non-profit corporations. If jurisdictions representing at least 51 percent of the tax rate (typically the city and the school district or city and county) approve the exemption, the full taxes are exempted. If less than 51% approve the exemption, just the taxes of the approving jurisdictions are exempt.

Property taxes make up a substantial portion of the operating costs of affordable housing. This statute allows local jurisdictions to choose to support affordable housing in their communities by granting property tax exemptions for housing owned by non-profit organizations that provides homes to low-income households (below 60% of the median income for the area).



Today, this program is used by the City of Portland and Multnomah County, the City of Wilsonville, Lincoln City, and the City of Tigard. Housing owned by non profit corporations that is actually occupied by households with incomes below 60% of the median income for the area would apply for the exemption with their local jurisdiction. To renew, property owners apply annually to the local taxing jurisdiction to show that the property continues to meet the qualifying criteria.

Local governments can withdraw from the opt-in provision by repealing the ordinance adopting the program, thereby ending the exemption at any time. This provides flexibility to local jurisdictions.

We know that affordable housing is a key to stable and thriving communities. Affordable housing gives people an opportunity to build better lives. It provides the foundation for adults to access employment, for kids to succeed in school. Local jurisdictions that see the value of stable housing should have the option of providing this support to low income families and others who most need our support to thrive. We urge your support of HB 2354.



Proven Partners • Thriving Communities • Lasting Value

March 22, 2011

TO: Phil Barnhart, Co-Chair, House Revenue Committee
Vicki Berger, Co-Chair, House Revenue Committee
Members of the House Revenue Committee

RE: HB 2354

Dear Chairs Barnhart, Berger and Members of the House Revenue Committee

Oregon Opportunity Network is a nonprofit coalition that represents 37 of the most active nonprofit housing developers in the State. Together we have developed over 16,000 units of affordable housing – housing that provides stability to hard working families and stability to communities. One of the local tools that has been very effective in providing greater affordability to the residents of our rental housing is ORS 307.540 to 307.548, which allows local communities to exempt affordable housing properties from paying property taxes. This in turn allows non-profit owners to charge lower rents. On March 24, you will be considering HB 2354 which will extend the statute's sunset from July 1, 2014 to July 1, 2027.

To date four jurisdictions in the State have adopted the ordinance: City of Portland, City of Wilsonville, City of Tigard, and Lincoln City. Because of their adoption of this local tool, over 9200 households (see table below) get the benefit of lower rents – monthly rent reductions that average about \$50 per unit. For a hard working family, this rent savings is then available for food, school supplies, medical expenses, etc. – essential items for a stable and healthy household. All four of these jurisdictions believe that the program has been effective and efficient in meeting their local goal of providing stable and affordable housing, and want to retain this option. They monitor the use of the exemption and require annual certification to ensure that households with incomes below 60% of the local Median Family Income are being served, and that the property tax savings are passed to the tenants in the form of rent reductions.

At least two jurisdictions who do not now offer this option would like to retain the option to consider it. Washington County has indicated that even though they have not yet adopted this local option, they may want to do so in the future. The City of Bend would also like the option to remain open.

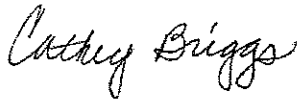
Why request the extension now when it statute does not expire until 2014? Nonprofit housing developers are small businesses, and like other businesses they do long-range forecasting and planning. An extension of this exemption will some level of certainty to nonprofits and local communities that they can achieve their mission and goals over the long term. And as developers of affordable housing, nonprofits often spend two to five years in predevelopment on a new project. This requires locating land or a property, identifying and applying for multiple resources for development, and in the process developing revenue and expense projections that are essential for investors and funders. The Low

Income Housing Tax Credit, a federal tax credit and the largest housing program in the country, represents a 15 year investment provides essential leverage for local and state housing dollars, and the local property tax exemption has been very effective tool to assure investors that the projected rent levels are achievable because of the exemption. The extension to 2027 is compatible to potential new 15 year Low Income Housing Tax Credit Investments.

Attached are a number of one-page profiles of affordable housing projects in Wilsonville and Tigard to give you more information about the actual beneficiaries of this exemption. We ask your support of the sunset extension so that we may continue to make affordable housing available to hard working individuals and families in our communities who need the opportunity that affordable housing offers.

We urge the House Revenue Committee to vote HB 2354 out of committee and on to the House with your strong endorsement.

Thanks for your consideration.



Cathey Briggs
Executive Director

cc: Doug Riggs, NGrC
Alison McIntosh, Housing Alliance

Attachments: Property Profiles

Table of Affordable Housing Units Exempted under ORS 307.540- to 307.548 (2010)

Jurisdiction	Number of Units/Households Exempted
Portland	8579
Tigard	276+48 in development
Wilsonville	300
<u>Lincoln City</u>	<u>80</u>
TOTAL	9283



Commissioner Nick Fish
City of Portland

Co-Chair Vicky Berger
Co-Chair Phil Barnhart
House Revenue Committee
Hearing Room A
State Capitol
Salem, Oregon

February 15, 2011

Dear Chairs Barnhart and Berger and Members of the Committee,

The City of Portland appreciates the opportunity to comment in support of HB 2354. HB 2354 would extend the sunset date in ORS 307.540 for the non-profit affordable housing tax exemption. Under this exemption, qualified non-profit agencies may be exempted from paying property taxes on single or multi-family homes they own, if they rent the homes to low- or moderate-income households. This exemption allows non-profit agencies to set rents at lower levels lower than would have been possible if they had been required to pay taxes on the property. The exemption applies to both land and improvements, and the jurisdiction granting the exemption must recertify eligibility on an annual basis.

The exemption has been an important tool for jurisdictions like the City of Portland that have a severe shortage of affordable housing. The Portland Housing Bureau estimates that there is a shortage of 20,000 units for the lowest income households. Over the last twenty years, the City of Portland has partnered with non-profit, mission based community development organizations to preserve and develop a supply of more than four thousand affordable units. These units are owned, maintained and managed by the non-profits, and

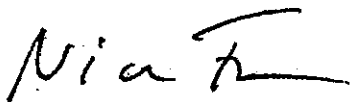
rented to income-eligible households. All of the local taxing jurisdictions invest in maintaining this sustainable supply of low-rent housing through the non-profit tax exemption. The public investment is warranted because the ability to rent an affordable unit assists the tenants move towards self-sufficiency, and prevents others from sliding into homelessness. In every case, it ensures that the family has a safe, stable place to call home.

EcoNorthwest recently conducted an analysis of all of the Multnomah County tax exemption programs at the request of a work group that Multnomah County Chair Jeff Cogen and I have convened to examine whether these programs continue to serve the public interest. Its report included this key finding about the non-profit tax exemption program:

In our evaluation of this program, we found widespread support for its affordability goals and its administration. It is relatively inexpensive to administer and provides affordable units for a relatively low average foregone revenue per unit measure. It fills an important funding gap: Federal funds are limited and often direction to non-bricks & mortar eligible activities, general funds scarce & declining, and tax increment (urban renewal) funds are geographically restricted declining.

This is a good explanation of why, even in a time of diminishing revenues, retaining the non-profit tax exemption program has not been controversial in our local workgroup, and extending it should not be controversial at the Legislature. Because the Non-Profit Affordable Housing Tax Exemption is economical to operate, an efficient way for local government to invest in housing affordability, and narrowly tailored to the important goal of ensuring that low-income families have safe and stable homes, the City asks that this Revenue Committee vote HB 2354 out of committee and on to the full House with its strong endorsement.

Respectfully submitted,



Nick Fish
Housing Commissioner, City of Portland



Support for HB 2354

Community Partners for Affordable Housing (CPAH) serves nearly 700 residents in 6 multifamily properties and 4 single family homes, located in Tigard, Beaverton, Hillsboro and Southwest Portland. The seniors and disabled living on fixed incomes who we serve have average annual incomes of just over \$10,000, and the working families we serve tend to earn about 25,000 per year. We are able to provide space at each property for food distribution, community gardens (in some cases), direct services and partnerships that target the residents' needs (i.e. transportation shuttles for seniors, after school and summer programs for youth, case management for formerly homeless), high speed internet access, and lending libraries.

When we began our work in Tigard in the late 1990's, we sought tax abatement as a tool we knew we would both benefit from. The City benefits from reduced police expenditures at our Enhanced Safety Properties, and the school district knows they can expect improved school performance. We have worked with Tualatin Valley Fire and Rescue to reduce fire incidents through a variety of bi-lingual trainings for youth

and adults, as well as implementation of innovative fire suppression strategies. The library has been able to achieve outreach to a population traditionally underserved, and has supported our youth programs through provision of reference materials, books on tapes and author visits.

Even with tax abatement, CPAH struggles to set rents which are truly affordable to the very low-income population we serve. We use volunteers on a regular basis to supplement our professional management agents and staff to meet project and program needs. We provide clear communication with the City of Tigard on who we serve, and have appreciated their generous support and partnership in a variety of ways that go well beyond tax abatement. We have worked together on street and sidewalk, transit, and public safety initiatives.

Over the years, grants we have secured have also provided direct benefit to Tigard-Tualatin Schools (covering some of their staffing costs), and have provided year-round educational and enrichment programs for struggling students. The strong partnerships we have with homeless shelters operated by Community Action and the Good Neighbor Center have led to permanent housing opportunities for hard-to-house families. We have developed a partnership with the Veterans Administration that by this spring will include 20 units set-aside on a permanent basis for chronically homeless veterans.

Tax abatement is a critical tool in helping us reduce burdens otherwise placed on government at all levels. By providing stable housing for those of modest means who may otherwise experience insurmountable barriers in the private housing market, we are able to lower the number who are homeless, rent burdened or live in overcrowded conditions. When homeless or at-risk, these are the households that seek emergency room care (without insurance or capacity to pay), end up in jail, are unable to maintain employment or perform adequately at school. Housing is the base we all need to build better lives, as students, workers, family and community members. **To succeed in life, we all need a place to call home.**

Extending the sunset on ORS 307.540 and 307.548 is a small investment which will help us maintain stable communities. We ask that you extend the current sunset from July 1, 2014 until July 1, 2027. We cannot maintain our existing portfolio or add critically needed projects to it, without this certainty. We look forward to continuing our work with local governments like Tigard who value the contribution that stable, affordable housing makes in their community. We ask that you provide them, and us, this option to work together.

Respectfully Submitted

Sheila Greenlaw-Fink

CPAH Executive Director

Village at Washington Square

Tigard

Community Partners for Affordable Housing built the Village at Washington Square in 2000, a dense in-fill property in a suburban setting near jobs and transit. With units from studio to 4-bedroom in size, Village houses seniors, the disabled, and working families. Community room (with library and computers), play area, and butterfly garden at rear provide space for variety of activities on-site.



Residents = 76 residents; 42 kids; 55% minority

Average household income = \$2,649 per month; -50% of area median income

Length of residency = average tenure 2.2 years

Workforce participation = 80% of households have employment income

Rent reduction due to property tax exemption = \$90 per month

Near 3 bus lines, Walkscore 68

Service Partners: Community Action, HopeSpring,
Good Neighbor Center, Tigard Schools, Police and Library

Greenburg Oaks Apartments

Tigard

Community Partners for Affordable Housing purchased the Villa La Paz Apartments (84 units) in 1996, and has completed two renovations (1996 and 2006). The project is now known as the Greenburg Oak Apartments, and is a hub of activity year-round, with After School and Summer Youth Programs, a community garden, library and computer center, and recovery group meetings four nights per week in multiple languages.



Residents = 240 residents; 107 kids; 47% minority

Average household income = \$2,125 per month; 38% of area median income

Length of residency = average tenure 2.4 years

Workforce participation = 82% of households have employment income

Rent reduction due to property tax exemption = \$76 per month

Near 5 bus lines, downtown, Walkscore 89 ("very walkable")

Service Partners: Community Action, HopeSpring, Oregon Food Bank, Good Neighbor Center, Tigard Schools, Police and Library, Rotary



INNOVATIVE HOUSING, INC.

March 21, 2011

House Revenue Committee
Salem, OR

Dear Committee Members,

I am writing to submit testimony in support of HB 2354, which extends the Non Profit Tax Exemption (ORS 307.540-307.548) from its current sunset date of 2014 to 2027. This exemption covers approximately 8,500 units of rental housing in Portland, Tigard, Wilsonville, and Lincoln City. As a nonprofit owner of 688 affordable rental units in Portland, I urge you to extend this critical piece of legislation.

Innovative Housing, Inc. (IHI) provides a wide range of housing types, including large family units, downtown workforce apartments, and studios and Single Room Occupancy (SRO) units for elderly and disabled adults. Many of our apartments house individuals and families who were homeless prior to moving into IHI housing. What most of our residents have in common is that they struggle to maintain their housing stability and make ends meet with inadequate incomes. The average household income of IHI's residents last year was just 29% of area median, which translates to \$14,450 for an individual and \$20,650 for a family of four, *before taxes*.

As a nonprofit, mission-driven housing provider, IHI does everything it can to keep rents affordable to our residents. Property tax exemption is one significant way to reduce our annual operating costs and pass the savings along to residents. We estimate that we are able to reduce rents \$23-55 per unit, per month thanks to property tax exemptions within the City of Portland. For singles living on Social Security income of \$581/month or families earning less than \$1,800/month, this amount makes a big difference. What is good for our residents is also good for our properties -- the higher our rents and the lower our resident incomes, the less stable our portfolio becomes. IHI owns properties in Gresham, Troutdale, and Washington County that have not benefited from the Non Profit Tax Exemption Statute, and we know from experience that those properties struggle more than our Portland properties to cover basic operating expenses.

On behalf of IHI and our residents, I thank you for your careful consideration of this issue and for supporting the right of local municipalities to use property tax exemption to support safe, high-quality, affordable housing for low-income households.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sarah J. Stevenson', is written over a horizontal line.

Sarah J. Stevenson
Executive Director

Innovative Housing, Inc.

Broadway Vantage Apartments

NE Portland

Broadway Vantage Apartments has a 60 year commitment to provide a safe, stable place to live for individuals, parents and children in Northeast Portland. In 2008, Innovative Housing's new construction of 58 family units on a vacant urban lot activated an overgrown parcel that was otherwise being used as a dumping ground and hub for drug-related activities.



Residents = 66 adults; 73 kids

Average household income = \$19,932/year or \$1,661 per month *before taxes*; 28% of area median income

Length of residency = Over 50% of residents have lived at Broadway Vantage since the project opened in 2008.

Housing Homeless Families= Over 30% of resident families were homeless before moving into Broadway Vantage.

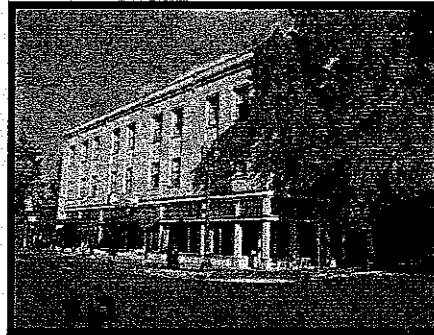
Rent reduction due to property tax exemption = \$30 per unit per month. For families barely making ends meet, this is a critical amount and can mean the ability to afford transportation to work or pay their utility bills.

Innovative Housing, Inc.

Musolf Manor Apartments

Old Town Portland

Musolf Manor is a service rich building in Old Town/Chinatown that houses 95 people who are elderly and/or disabled. In 2009 Innovative Housing completed an historic renovation of the building and made a renewed commitment to long-term affordability.



Residents = 95 elderly and/or disabled adults

Average household income = \$6,972 per year or \$581 per month; 14% of area median income

Length of residency = Over 38% of residents have lived at Musolf Manor for over 4 years.

Rent reduction due to property tax exemption = \$23 per month. For individuals living on a fixed income this savings can mean that people do not have to make the choice between food and prescription medications.



29799 SW Town Center Loop E
Wilsonville, Oregon 97070
(503) 682-1011
(503) 682-1015 Fax Administration
(503) 682-7025 Fax Community Development

March 21, 2011

Rep Phil Barnhart and Rep Vicki Berger, Co-Chairs
House Revenue Committee
901 Court Street NE
Salem, Oregon 97301

RE: House Bill 2354

Dear Co-Chairs Barnhart and Berger, and members of the Committee

The City of Wilsonville has long recognized that affordable housing is a valuable and necessary component of a healthy city. It meets the needs of our seniors with fixed incomes, people entering the workforce and people with disabilities or other special needs. When we provide quality, affordable homes for all of our residents we become a stronger, more stable and more complete community.

One tool that the City uses to help support affordable housing is the Non-Profit Corporation Low Income Housing program under ORS 307.540. This statute is currently set to sunset in 2014. HB 2354 would extend that sunset to 2027. This local option property tax exemption program is one way we can partner with non-profit organizations, private investors and lenders, and other governmental agencies to create and preserve affordable housing in our community. Without this tool, fewer units would be built in our community.

In Wilsonville, we have used this local option to provide homes for families, seniors and people in recovery from mental illness. Most recently, we worked in partnership with Northwest Housing Alternatives to develop Creekside Woods, an 84 unit community for seniors. This project was especially important to our community because it provided some replacement housing for homes lost from the closure of the Thunderbird Mobile Home Park. When market pressures led to the closure of that park, we knew that the City needed to step up to meet the needs of displaced residents. Because we monitor these projects annually, we are confident that the exemption is serving qualified residents.

If the program sunsets, not only would we lose this tool to add new affordable housing in our community, more than 300 existing units in Wilsonville covered by the program would need to raise rents so that they could make property tax payments in the future. We estimate that the average rent increases may be as much as \$50 per household per month. A rent increase of this size would destabilize our residents and our community.

We urge you to extend the sunset as proposed in HB 2354.

Sincerely,

Jeanna Troha
City of Wilsonville Interim City Manager



Autumn Park Apartments

Wilsonville

Northwest Housing Alternatives originally built the Autumn Park Apartments in 1988. In 2004 the property was rehabilitated and made a renewed commitment to long term affordability. Autumn Park provides 144 units one, two and three-bedroom homes for families and individuals.



Residents = 219 adults; 178 kids

Average household income = \$2,046 per month; 38% of area median income

Length of residency = 33% of residents have lived at Autumn Park for more than 3 years

Workforce participation = 72% of households have employment income

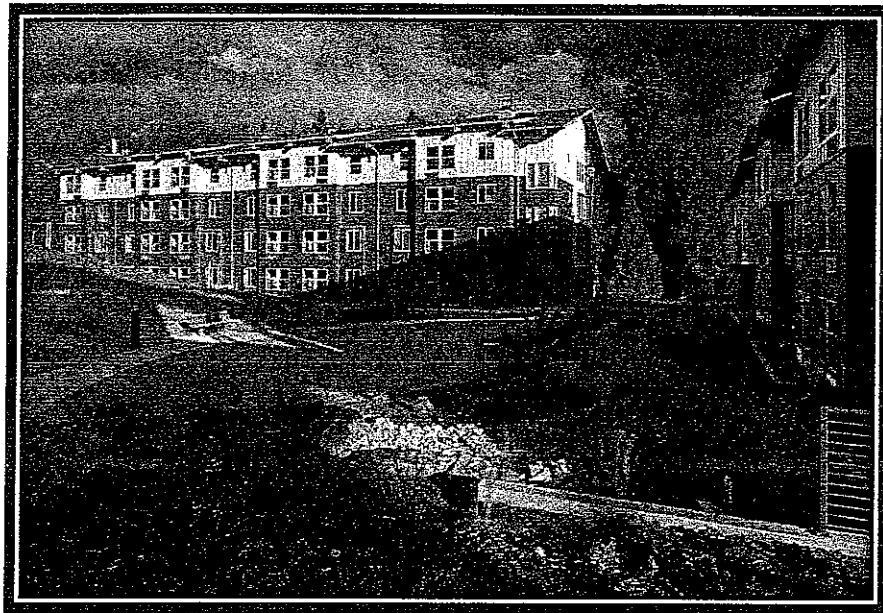
Rent reduction due to property tax exemption = \$69 per month.

Creekside Woods

Wilsonville

Northwest Housing Alternatives just completed the development of Creekside Woods, with 84 homes for independent seniors. The property provides rent assistance for 45 units and affordable rents for the balance of the units.

Leasing began in December 2010 and should be completed in the next month or two. The average age of residents is expected to be 71 years; 85% are expected to be single women; and, the average income will be approximately \$1,100 per month.



Estimated rent reduction due to property tax exemption = \$41 per month.



March 22, 2011

via email attachment only

Hon. Rep. Phil Barnett, Co-chair
Hon. Rep. Vicki Berger, Co-chair
House Committee on Revenue
Oregon State Capitol, Room 143
Salem, Oregon 97301

Re: House Bill 2354--Extension of Local-Option Property Tax Abatements for Affordable Housing Owned by Nonprofit Corporations; why action is needed this year.

Dear Chair Barnett and Chair Berger:

I am writing in support of HB2354 and, more particularly, in support of positive action *this year* to extend this local-option property tax exemption for affordable housing owned by nonprofit corporations.

Others have offered testimony as to just how important the tax exemption provided under ORS 307.540-307.548 is. It enables, but does not require, local governments to support affordable housing in their communities. It assists nonprofit corporations to provide decent, safe and affordable housing to some of the most vulnerable among us. It also helps ensure that communities in our state have housing that is affordable for the newest police officer, the entry-level school teacher, and the apprentice in a trade or craft.

The law authorizing this exemption is set to expire in 2014. While 2014 is still 3 years away, the fact that the law may sunset in the near future is *already* making it harder to finance affordable housing *today*.

Here's why:

Planning for any affordable housing development starts two or more years before any purchase contract is signed or any earth is turned. Obviously, among the first steps in the planning process are to determine how much a development will cost and how the cost will be paid. Typically, a nonprofit will borrow a large percentage of the money that is required to buy or build the housing and will repay that money over 15 years or more. The banks and other lenders which make the loans limit the size of a loan they are willing to provide based on the income a housing development will generate and the operating costs that housing development will have.

Lenders have become very cautious when they forecast the operating costs that a housing development will experience. More and more, if they think that a housing development *might*

become subject to property taxes in 2014, lenders are required to predict that the development *will* be subject to those taxes—and they act accordingly. They reduce the size of the loan they're willing to make. Often by a substantial amount.

When a lender reduces the amount it will lend for a housing development, the nonprofit sponsor of the housing has to replace those “lost” funds somehow. If it doesn't, the affordable housing doesn't get built. But the *possibility* that a project will become subject to property taxes in the near future can also make it harder to find the “replacement” funds.

Some affordable housing developments are able to attract corporate investors that are willing to invest in housing for low-income people in exchange for certain federal tax benefits. These potential investors, just like lenders, carefully forecast the likely expenses that a housing development will have over the next 10-15 years. Just like lenders, if investors think that a housing development *might* become subject to property taxes in the future, increasingly they predict that the development *will* be subject to them. When they do, investors require that *less* of their money go to pay the cost of building the affordable housing and *more* of their money go into reserves to pay future property taxes. The result is another financing hole that has to be filled—somehow.

Favorable action on HB 2354 would help reduce the uncertainty that exists today about the future of ORS 307.540-307.548. By reducing that uncertainty, the Legislature could assist nonprofits as they seek to find private financing sources for affordable housing in Oregon.

Thank you for your consideration.

Very truly yours

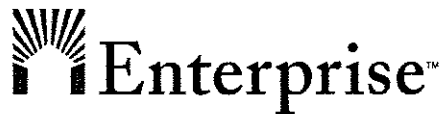
Doug Blomgren

DCB:dd

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CC:

Rep.philbarnhart@state.or.us, rep.vickiberger@state.or.us,
rep.katieeyrebrewer@state.or.us, rep.cliffbentz@state.or.us,
rep.saragelser@state.or.us, Rep.valhoyle@state.or.us,
rep.mattwand@state.or.us, rep.julesbailey@state.or.us



March 21, 2011

To: House Revenue Committee

RE: HB 2354

Dear Chairs Barnhart and Berger and Members of the Committee,

Enterprise is a national leading provider of development capital and expertise to create decent, affordable homes and rebuild communities. For more than 25 years, Enterprise has introduced neighborhood solutions through public-private partnerships with financial institutions, governments, community organizations and others that share our vision. In Oregon and Washington alone, Enterprise has raised and invested more than \$1 billion in equity, grants and loans to help build or preserve more than 20,500 affordable homes in urban and rural communities.

During these times of economic turmoil, reduced public funding and increased need for affordable housing having tools such as property tax exemption can make a much needed housing project viable. Property tax exemption is an efficient and effective mechanism to leverage private equity into projects that might otherwise only be funded with public resources. The exemption helps to ensure that rents will be affordable to the hard working people and their families that live in our communities. Additionally, property tax exemption is a way to ensure that tenants pay rent that they can afford. In just one example in Clackamas County, property tax exemption is saving each tenant nearly \$70 per month in rent because of property tax exemption.

I urge your support to extend the sunset on ORS 307.540 to 307.548. It is a small investment which will help us maintain stable communities. We ask that you extend the current sunset from July 1, 2014 until July 1, 2027. Owners, investors and lenders will not be able to maintain the existing portfolio or add critically needed projects to it, without this certainty. We look forward to continuing our work with local governments and non-profits who value the contribution that stable, affordable housing makes in their community. We ask that you provide them, and us, this option to work together.

Sincerely,

Amanda Saul
Pacific Northwest, Senior Program Director