

May 10, 2011

via email attachment only  
Senate Committee on Finance and Revenue  
Sen. Ginny Burdick, Chair  
Sen. Frank Morse, Vice-Chair  
Sen. Mark Hass  
Sen. Chris Telfer

MEASURE: HB 2354  
EXHIBIT: F  
Senate Finance and Revenue 76<sup>th</sup> Session  
DATE: 05-11-2011 PAGES: 12  
SUBMITTED BY: MAEHA MCCLENNAN

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 Burdick:

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.

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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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May 9, 2011

To: Senate Committee on Finance and Revenue

**RE: HB 2354**

Dear Chairs Burdick and Morse 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 and 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



Changing lives  
Building communities  
Creating opportunities

To be safe and self sufficient everyone needs a place to call home. **Central City Concern operates over 1,500 units of safe and affordable housing for people who suffer from substance abuse or mental illness and who are homeless and who have very low incomes.**

But we don't just provide housing. CCC's Supportive Housing provides a complete pathway to self-sufficiency through a continuum of services including **health care, mental health treatment, recovery treatment, post-incarceration support, job training, and employment support**, surrounding people with the resources they need to rebuild their lives.

**While the cost of this service-enriched housing is high, the net cost savings to the public are substantially higher.** Homelessness negatively impacts property values and business profitability, places huge demands on police, fire, and medical costs; substance abuse creates crime and fear, takes people out of the work force, and places an incredible burden on the children and families of those suffering from addictions. The governing bodies in Portland and Multnomah County have supported the low income housing property tax abatement because they know it saves them money. **The benefits of the housing and the services provided by Central City Concern have a direct cost benefit to the costs of police, fire, schools, jails, courts, and other public systems. Our housing and services are also strongly supported by the businesses and property owners of downtown because they recognize the direct economic benefit to them.**

But, support for our housing and services is under pressure on many fronts in the current economy. The property tax abatement we receive under ORS307.540-.548 is more critical than ever. We already make every effort to keep our rents as low as possible for our residents. The impact of a large jump in operating expenses at all of our properties would be a hit to people who are coming back from the very bottom and who are at a very vulnerable stage of getting back on their feet.

Let's look at just one of our properties, the Henry Building. This 153 unit building houses a number of our programs including housing for homeless veterans and housing for homeless people being discharged from hospital care into our housing instead of back on to the streets. **Average rent in the Henry Building is about \$475 a month.** (this rent, by the way, is up only \$80 from when the building opened over 20 years ago). **Resident Services at the Henry cost just over \$10 per unit per month.**

**The value of the property tax abatement for this property is estimated to be just over \$90 per unit per month.** So, losing property tax abatement at the Henry would result in our needing to **eliminate resident services and having an unsupportable rent increase of over 16%** to try to pass to on to our fragile tenants.

What would be the result?



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Sending recovering veterans back to the street; forcing the hospitals to choose between scandalously discharging medically fragile people directly to the streets or keeping them hospitalized at a cost of thousands of dollars a day; losing permanent housing options for people coming out of the shelter system and the drug treatment system thus narrowing the pipeline for getting people off the streets and out of the doorways of downtown businesses; increases in police and fire calls to deal with all of the above issues, pressure on the jail and court system. And all of this would come at a huge cost to the taxpayers.

This is the story of one of our buildings and one tenth of our units. We have similar stories for the other 1,350 units we operate in 21 other buildings. **Losing this critical component of public support for our programs would have a disastrous impact on the fragile people we serve, but would also result in substantially increased costs to the taxpayer through increases in the costs to police, fire, schools, investments, businesses, medical costs, and the rest of the social safety net system.**

We urge you to extend the sunset on ORS 307.540-.548 to July 1, 2027. It is important for the sake of our low income residents, and it is a great cost saver for the community.

Very Truly Yours,

Martin Soloway  
Assistant Director of Housing

**COMMUNITY PARTNERS**  
FOR AFFORDABLE HOUSING, INC.



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**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

# 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**



## 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

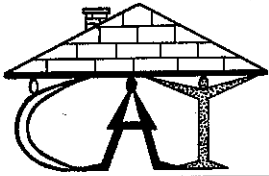
**Length of residency** = average tenure 2.2 years

**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



# COMMUNITY ALLIANCE OF TENANTS

2710 NE 14<sup>th</sup> Avenue, Portland, Oregon 97212

May 10, 2011

To: Senate Committee on Finance and Revenue

Dear Chairs Burdick and Morse and Members of the Committee:

Formed in 1997, the Community Alliance of Tenants (CAT) is Oregon's only statewide, grassroots, tenant-controlled, tenant-rights organization. Our mission is to educate and empower tenants to demand affordable, stable and safe rental homes. CAT is a tenant membership organization. Low-income tenants – predominately low-wage workers, families with children, people living with disabilities, seniors, and people of color - are CAT's primary membership base. CAT current has over 1500 tenant members throughout the state.

Throughout the existence of the organization, our members have identified the lack of affordable housing as a barrier to their stability and safety. Safe and affordable housing options are still out of reach for many tenants. The majority of our constituents are paying will over 50% of their income on rent; some are even paying over 70% of their income on rent. This is a problem we are hearing throughout the state.

We have seen the benefits of affordable housing in people's lives countless times. We have seen seniors and people with disabilities on fixed incomes be able to live independently; children doing well in school because their parents were able to afford to stay in their home; and hard working families saving up to experience the pride of buying their first home. Affordable housing gives people the opportunity to succeed. One of our members, Carmen Jimenez became homeless after she lost one of her jobs. She had 3 jobs because that was the only way she could afford an apartment. She ended up needing to access several social services. We eventually were able to help her find a home that was affordable. She let her caseworker know when she didn't need social service assistance anymore. She then became civically involved and a volunteer. Carmen's story is not unique. When people have safe, quality affordable housing, and the whole community benefits. We need to maintain the tools and strategies that work to make housing accessible to all Oregonians.

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 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

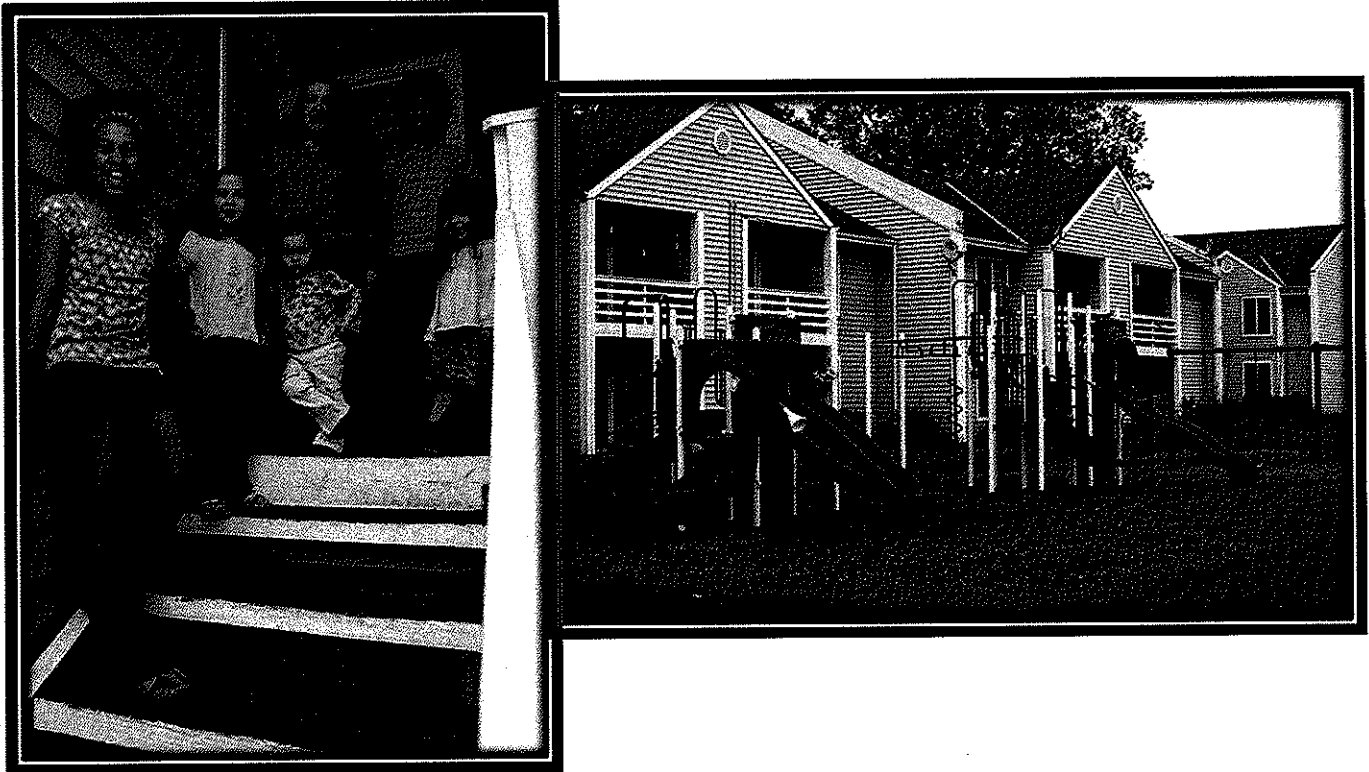
Investing in housing is an investment in our communities. On behalf of our members and constituent we urge you to support HB 2354. Please feel free to contact me for additional information at [elisa@oregoncat.org](mailto:elisa@oregoncat.org).

Sincerely,  
Elisa Aguilera  
Co-Director

# 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**

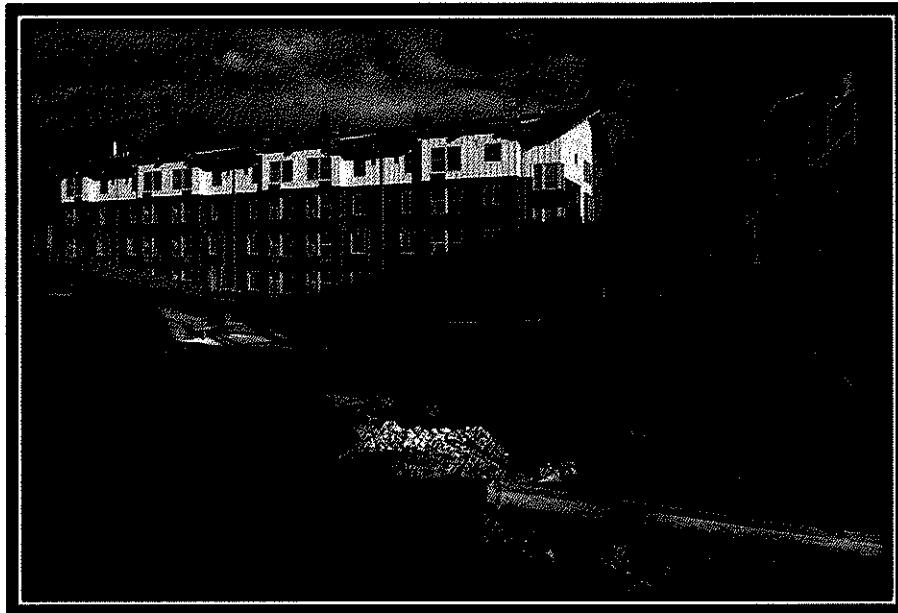
**Rent reduction due to property tax exemption = \$69 per month.**

# 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.**

