

# House Bill 3168 – Oregon Farmworker Housing Tax Credit

Joint Committee on Tax Credits

The Honorable Ginny Burdick, Co-Chair  
The Honorable Jules Bailey, Co-Chair  
The Honorable Vicky Berger, Co-Chair

April 18, 2011

Rick Crager, Deputy Director  
Oregon Housing and Community Services  
725 Summer Street NE, Suite B  
Salem OR 97301  
503.986.2005  
[www.ohcs.oregon.gov](http://www.ohcs.oregon.gov)

MEASURE: HB 3168  
EXHIBIT: C  
Joint Committee on Tax Credits 76<sup>th</sup> Session  
DATE: 04-18-2011 PAGES: 12  
SUBMITTED BY: RICK CRAGER

## **What is the public purpose of the Farmworker Housing Tax Credit? What is the timeline for accomplishing this goal?**

- The Legislature established the Farmworker Housing Tax Credit to support the development of safe, adequate and affordable housing for the state's valuable agricultural workforce.
- ORS 456.550(7) states that "...it is the policy of this state to ensure adequate accommodations commensurate with the housing needs of Oregon's farm workers that meet decent health, safety and welfare standards." The tax credit brings Oregon closer to meeting that goal.
- The credit supports the development of housing for seasonal and year-round farmworkers and improves the balance between farmworker jobs and available quality housing. The credit supports the construction of new housing or the rehabilitation of existing housing on farms and in the community.
- In 2010, OHCS determined that 79,000 farmworkers had an unmet need for housing.
- Since 2002, OHCS has funded approximately 170 units of farmworker housing each year.

## **How the Farmworker Housing Tax Credit (FWHTC) works**

The tax credit may be taken on 50 percent of the eligible costs actually paid or incurred to complete a farmworker housing project. Eligible costs include:

- Capital expenditures excluding land acquisition and routine maintenance
- The purchase and installation of manufactured housing

The total eligible costs for all approved projects each calendar year is limited to \$7.25 million which equates to \$3.625 million in state tax credits.

Owners may use the credit directly or may sell the credits to investors with Oregon tax liability in exchange for capital to develop the housing.

- Taxpayers may claim no more than 20 percent of the credit awarded in any one tax year.
- Minimum number of years to claim the credit is 5 years and maximum is 10 years.

For each year credit is claimed taxpayer must show housing is operated as farmworker housing.

Eligible only for units made available to farmworkers, and designated in this manner for a minimum of 10 years.

## **Who directly benefits from the credit?**

- Hardworking, year-round and seasonal farmworkers have safe and affordable housing.
- Growers receive a tax credit to help offset the cost of building on-farm housing for their workers.
- Farmers can increase their efficiency and production, which benefits the local economy, because their workforce has a stable home in the community.
- Developers of community-based housing are better able to accomplish their mission of providing safe, decent affordable housing.
- Nonprofit developers that do not have a state tax liability can sell the credits and invest the equity in the development of the needed affordable housing. Investors who purchase the credits from community-based developers benefit from the credit and buy them at a discount.
- Local economies benefit from the economic stimulus effect of housing construction and rehabilitation as well as a more stable local work force.

## **What will happen if the credit fully sunsets? Or is scaled down?**

- Current sunset is 2014.
- Reduction or sunset would reduce the number of new residences built for farmworkers and a possible return to the unsanitary and unsafe conditions of the past.
- Reduced ability of housing developers to leverage other resources specifically targeted for farmworker housing, especially when those other funders require a commitment of state or local resources.
- Current resources cannot meet the need, a reduction would widen the gap.

## **Do other states offer a similar credit? Is a tax credit an effective and efficient way to achieve the policy goal?**

- Other states offer similar tax credit programs, but our Farmworker Housing Tax Credit is unique in that it target the development of housing for the agricultural workforce.
- For small, on farm housing projects, the FWHTC is the only resource available to offset the costs of upgrading on-farm living conditions.
- When the FWHTC is a stand-alone source, the costs of application and the state's administrative burden are minimal.

## **What other incentives are available that attempt to achieve a similar policy goal?**

- The U.S. Department of Agriculture offers programs for farmworker housing (on-farm and in the community).
- Other financial tools – state and federal grants, the federal Low Income Housing Tax Credits and local property tax exemptions – support the development of affordable housing. Many of these are not practical tools for very small community-based or on-farm development.

## **Could this credit be made more effective or efficient?**

- Oregon Housing and Community Services and its partners find the current structure of the credit both efficient and effective.
- If the department could carry-forward unused credits or forward-allocate credits, the impact of the credit could increase.

## **Accomplishments and Benefits**

Since 2001, the department has awarded Farmworker Tax Credits to 83 developments which created or preserved 1,165 units of affordable housing.

- 70% of the units are community based
- 30% of the units located on farm.

For every \$1 of tax credit, \$3.12 from other sources is leveraged in capital investment and construction.

Based on the department's *Housing as an Economic Stimulus* model, \$1 invested in affordable housing creates an average of \$11 in economic benefit.



## Benefits of tax credit and affordable housing development

| Benefits for 1,128 units since 2001 | (millions)     |
|-------------------------------------|----------------|
| Leverage                            | \$73.3         |
| Economic stimulus                   | \$258.1        |
| <b>Total benefits</b>               | <b>\$331.4</b> |

| Costs             | (millions)    |
|-------------------|---------------|
| FWHTC Cost        | \$23.4        |
| Gap financing     | \$14.5        |
| <b>Total cost</b> | <b>\$37.9</b> |

**TOTAL NET BENEFIT**

**\$293.5**

## Summary of program strengths

**Leverages private investment** for communities and on-farm projects that may not otherwise be built.

The program is **extremely efficient**, with little program overhead. The credits support the agricultural industry and strengthen communities.

Delivers an **economic stimulus** effect in agricultural areas of the state.

Provides **lasting economic benefits** to local vendors for supplies and services such as landscaping, repairs and maintenance.

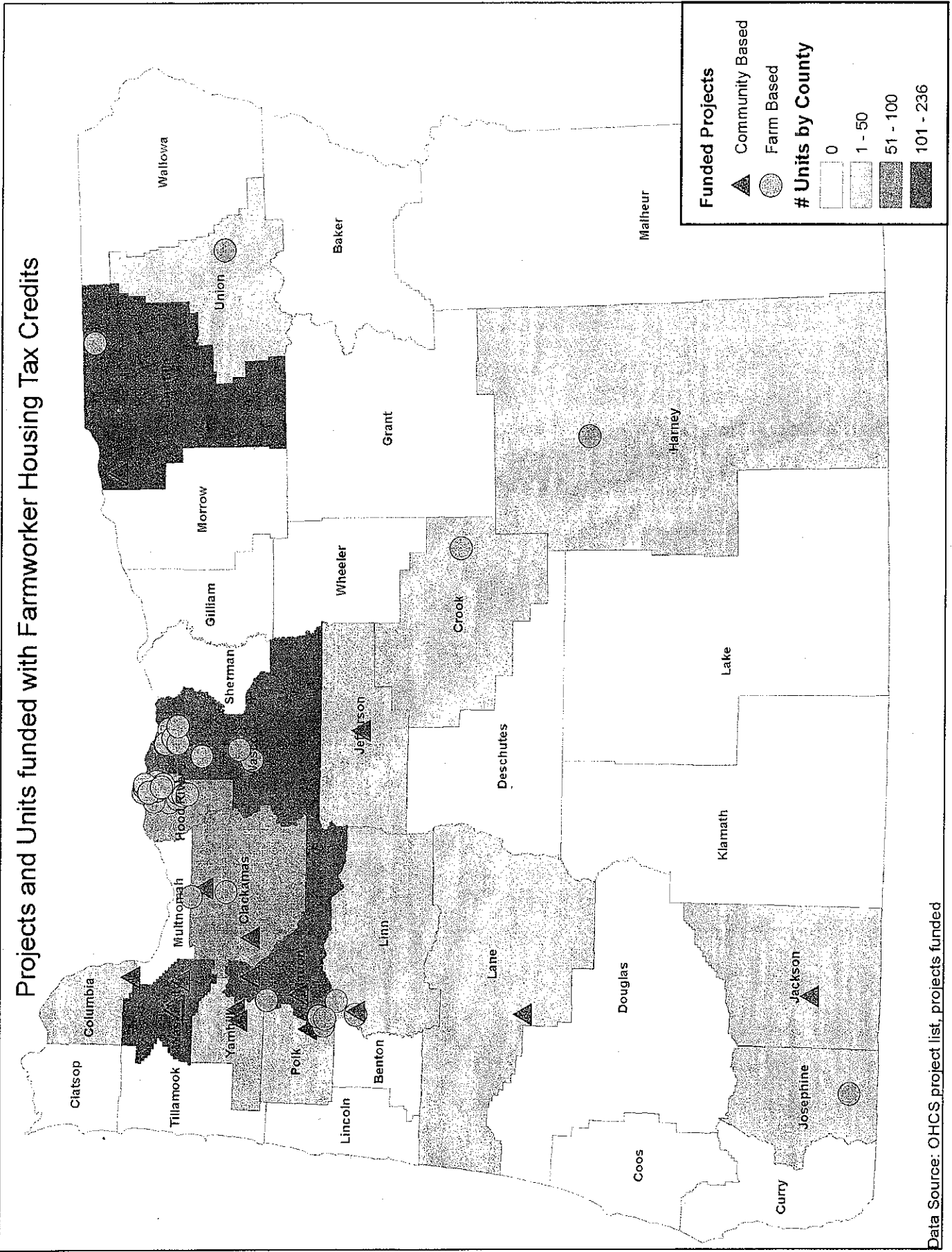
**Frees tenants' limited income** to pay for healthcare, food, clothing, and other necessities.

# Number of FWHTC Assisted Developments by County

| County     | Number of developments |
|------------|------------------------|
| Clackamas  | 5                      |
| Columbia   | 1                      |
| Crook      | 1                      |
| Harney     | 1                      |
| Hood River | 27                     |
| Jackson    | 2                      |
| Jefferson  | 1                      |
| Josephine  | 1                      |
| Lane       | 1                      |

| County       | Number of developments |
|--------------|------------------------|
| Linn         | 2                      |
| Marion       | 8                      |
| Polk         | 4                      |
| Umatilla     | 2                      |
| Union        | 1                      |
| Wasco        | 19                     |
| Washington   | 5                      |
| Yamhill      | 2                      |
| <b>Total</b> | <b>83 developments</b> |

# Projects and Units funded with Farmworker Housing Tax Credits



Data Source: OHCS project list, projects funded