



Oregon

John A. Kitzhaber, MD, Governor

Housing and Community Services

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February 11, 2013

Racquel Rancier, Committee Administrator
Legislative Committee Services
State Capitol
Salem, OR 97301

RE: Farmworker Housing Tax Credits ORS 315.164

Dear Ms. Rancier:

Oregon Housing and Community Services has prepared the following responses to Senate Rural Communities and Economic Development Committee's questions about the Oregon Farmworker Housing Tax Credit. We have also included several attachments, including data on credits previously awarded, the projected economic impact of the credit, a breakdown of credits awarded by county, and a copy of the MOU between OHCS, DCBS, and DOR.

1. What is the public policy purpose of this credit?

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 "...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 us 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.

Housing developed through the credit remains in service as farmworker housing for a minimum of ten years and – if coupled with Oregon Housing and Community Services other grant and tax credit programs provided through Oregon Housing and Community Services – would remain a source of affordable housing for 60 years.

The credit encourages investors to make equity investments in rural areas to serve a low-income workforce. In some cases, the tax credits also induce investors to make loans for the construction of the housing (particularly on-farm housing).



2. Who directly benefits from the credit?

The beneficiaries from this program include:

- Year-round and seasonal farmworkers get safe and affordable housing.
- Growers receive a tax credit to help offset the cost of building on-farm housing.
- Farmers 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 provide 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 benefit from the credit and reduced tax liability.
- State housing resources are leveraged by other federal grants and loans.
- Local communities benefit from any increase in safe, decent affordable housing.
- Local economies benefit from the economic stimulus effect of housing construction and rehabilitation as well as a more stable local work force.

3. What is expected to happen if this credit fully sunsets?

If the credit fully sunsets it would result in the following:

- Reduction in the number of residences developed for farmworkers and likely a worsening of farmworker housing conditions in general.
- Loss of an incentive for growers to use their own resources to develop new or rehabilitate deteriorated existing housing for their workers.
- Reduced ability of housing developers to obtain federal grant, loan and rental subsidies specifically targeted for farmworker housing.
- Fewer federal resources will be leveraged in Oregon and a fewer units will be developed at a higher cost to the state. For example during 2010, USDA Rural Development committed more than \$6 million towards two farmworker projects. Both projects also received commitments of long-term rental subsidies. Federal funding opportunities like this may be lost entirely if the credit expires.

4. Could adequate results be achieved with a scaled-down version of the credit?

Current efforts do not meet the existing need and fewer credits would exacerbate housing problems by adversely affecting workers. This will negatively impact Oregon's agricultural economy and the portion of the agricultural industry, which depends on farmworkers.

5. What would be the effect of reducing the credit by 50 percent?

A reduction in the credit would reduce the number of farmworker housing units developed.

Each \$1 of tax credit leverages another \$3.12 in capital investment and construction resources. A 50 percent reduction of the credit would result in a loss of \$5,655,000 of annual leveraged resources and fewer units rehabilitated or constructed.

Reducing the credit by 50% would only serve to direct investors to other credits or tax shelters.

6. What background information on the effectiveness of this type of credit is available from other states?

Although other states offer similar tax credit programs for affordable housing development, Oregon is unique in that it provides a tax credit that specifically supports the development of farmworker housing.

7. Is use of a tax credit an effective and efficient way to achieve this policy goal?

Yes. This tax credit provides an incentive for growers to utilize their own resources to build new or maintain existing seasonal or year-round housing.

For apartment building type projects, tax credits are one of several available financing tools. For small, grower sponsored projects, they are essentially the only tool. As a stand-alone funding source, FWHTC demands minimal initial investment by the applicant to apply for the credits and the state incurs minimal administrative expenses.

8. What other incentives (including state or local subsidies, federal tax expenditures or subsidies) are available that attempt to achieve a similar policy goal?

U.S. Department of Agriculture offers programs for development of on-farm and community-based farmworker housing.

In addition, other financial tools – state and federal grant funds, the federal Low Income Housing Tax Credit, and local statutes that enable property tax exemption – support the creation of affordable housing for people with lower incomes. Such housing could possibly serve farmworkers but, unlike units funded by the farmworker housing tax credit, does not provide exclusive use to farmworkers.

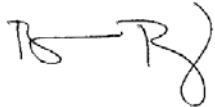
9. Could this credit be modified to make it more effective and/or efficient? If so, how?

OHCS partners report that the current structure of the tax credit is both efficient and effective. If the department had the ability to carry-forward unused credits or forward allocate them, it could enhance its impact.

Additional information about the Farm Worker Housing Tax Credit is attached. If you have any further questions about the Farm Worker Housing Tax Credit Program please contact Ben Pray at 503-986-2079 or by e-mail at Benjamin.Pray@hcs.state.or.us.

Sincerely,

Ben Pray



Benjamin Pray
Policy Advisor, Legislative Manager
Oregon Housing and Community Services
Office: 503.986.2079
Cell: 503.510.1678

Enclosures:

- Attachment 1: Tax Credits Funded by County, 2001 - 2012
- Attachment 2: Benefits of tax credit and affordable housing development, 2001-2010
- Attachment 3: FWHTC Projects, 2001-2012
- Attachment 4: State Agency FWHTC Memorandum of Understanding (OHCS, DOR, DCBS)

Attachment 1

Tax Credits Funded by County, 2001 - 2012

County	Total Units	Farm Based Units	Community Based Units
Clackamas	82	4	78
Columbia	22	0	22
Crook	1	1	0
Harney	1	1	0
Hood River	85	85	0
Jackson	41	1	40
Jefferson	24	0	24
Josephine	6	6	0
Lane	2	0	2
Linn	2	2	0
Marion	218	10	208
Polk	42	4	38
Umatilla	172	0	172
Union	6	6	0
Wasco	316	293	23
Washington	199	14	185
Yamhill	38	0	38
Total:	1257	427	830

Attachment 2

Benefits of tax credit and affordable housing development, 2001-2010

Benefits of tax credit and affordable housing development, 2001-2010		
Benefits for 1,164 units since 2001	(millions)	Assumptions
Leverage	\$ 79.2	Total project costs (\$103.1 million) less total amount of credits (\$23.9 million)
Economic impact	\$220.7	Economic Impact equals total project costs times 2.14. This is based upon the Housing as an Economic Stimulus study conducted by OHCS which used the IMPLAN ¹ economic impact model. One of the study's outcomes is a \$2.14 economic impact for each dollar invested.
Total benefits	\$299.9	Includes leverage and economic stimulus

Costs	(millions)	Assumptions
FWHTCs investment	\$ 23.9	Total credits awarded since 2001 for on-farm and community-based housing
Gap financing	\$ 4.8	Other OHCS federal and state grant resources invested (Trust Fund, HOME, HELP, Document Recording Fee, Farmworker Housing Development Account, and Low Income Weatherization)
Total cost	\$ 28.7	Total OHCS investment
Total Net Benefit:	\$271.2	Total benefits less total cost

¹ The IMPLAN model uses regional and statewide data of the construction industry and related activities such as architectural review and environmental testing to determine the local and statewide impacts of a housing development. There are three kinds of impacts:

1. Direct – the dollars actually spent on the project locally;
2. Indirect - the dollars spent locally to purchase land, pay for fees and services, buy supplies, and pay wages and taxes; and
3. Induced – the dollars re-spent locally by those that received indirect dollars. For example, if a developer purchases 12 refrigerators from a local appliance store, the appliance storeowner may use the money to buy more stock, buy advertising in local papers, pay employees in the store, buy groceries, make a car payment, etc. Some of these dollars are spent locally and generate even more regional (or statewide) economic impact.

Attachment 3

FWHTC Projects, 2001-2012

#	COUNTY	PROJECT NAME	CYCLE	Community Based/Farm-based	Unit Count	SPON/OWNER NAME
1	Clackamas	Sandy Vista Phase II	2001F	CB	24	Caritas Community Housing Corp
2	Clackamas	Sandy Vista Phase I	2003S	CB	30	Caritas Community Housing Corp
3	Clackamas	Plaza Los Robles	2005F	CB	24	Hacienda CDC
4	Clackamas	Schmidt & Son	2002A	FB	3	J Frank Schmidt & Son Co
5	Clackamas	Currin Creek Farm	2007A	FB	1	Currin Creek Farms
1	Columbia	Los Arboles	2004F	CB	22	Hsg Dev Corp of NW OR
1	Crook	Bedortha Ranches	2006A	FB	1	Bedortha Ranches Inc
1	Harney	Diamond Lane	2008A	FB	1	Larry and Susan Otley
1	Hood River	Endow Farm	2002A	FB	1	Terry Endow Farm
2	Hood River	Gays Farm Labor Camp	2002A	FB	3	Tony and Sue Gay
3	Hood River	Hanners Orchards	2002A	FB	1	Hanners Orchards Inc
4	Hood River	Laurance Orchards	2002A	FB	2	RC Laurance Orchards Inc
5	Hood River	Cascade Orchards	2003A	FB	1	Cascade Orchards Inc
6	Hood River	Lyle S McAlexander-2003	2003A	FB	8	Lyle S McAlexander
7	Hood River	Alpine View	2005A	FB	1	Orchard View Farms Inc
8	Hood River	BTK Orchards	2008A	FB	1	BTK Orchards
9	Hood River	C & D Orchards	2008A	FB	1	C & D Orchards
10	Hood River	Ron Rivers	2008A	FB	2	Ron Rivers Orchards Inc
11	Hood River	Columbia Ag Inc	2008A	FB	2	Columbia Ag Inc
12	Hood River	Mallon Farmworker Housing	2008A	FB	3	James & Shirley Mallon
13	Hood River	Donnelly Orchards	2009A	FB	1	Donnelly Orchards Inc
14	Hood River	M Goe & Son Inc	2009A	FB	8	M Goe & Son Inc
15	Hood River	Nakamura Orchards	2009A	FB	7	Nakamura Orchards Inc
16	Hood River	Tamura Orchards	2009A	FB	2	Tamura Orchards Inc
17	Hood River	Trout Creek Orchard	2009A	FB	1	Trout Creek Orchard LLC
18	Hood River	Valley Crest Orchards	2009A	FB	2	Valley Crest Orchards
19	Hood River	Valley Crest Orchards II	2009A	FB	2	Valley Crest Orchards
20	Hood River	Aubert Drive	2009A	FB	2	Kyle Gray
21	Hood River	McGraw Holdings	2010A	FB	1	McGraw Holdings LLC c/o DAR Properties
22	Hood River	Lyle S McAlexander-2010	2010A	FB	1	Lyle S McAlexander
23	Hood River	Oates Orchards-2010	2010A	FB	1	Oates Orchards Inc
24	Hood River	Avalon Orchards	2010A	FB	6	Avalon Orchards, Inc.
25	Hood River	BLM Inc	2010A	FB	4	BLM Inc
26	Hood River	Sunset Orchard	2010A	FB	4	Sunset Orchard
27	Hood River	D & P Orchards	2011A	FB	1	D & P Orchards Inc
28	Hood River	George Aubert Orchards	2011A	FB	5	George Aubert Orchards Inc
29	Hood River	Moore Orchards	2011A	FB	1	Moore Orchards Inc
30	Hood River	JW Ranch	2012A	FB	1	Mike McCarthy
31	Hood River	McGraw Holdings 2	2012A	FB	3	McGraw Holdings LLC
32	Hood River	Oates Orchards	2012A	FB	6	Oates Orchards Inc
1	Jackson	Lilac Meadow Phase III	2002S	CB	20	Housing Authority of Jackson Co
2	Jackson	Lilac Meadow Phase I	2003A	CB	20	Housing Authority of Jackson Co
3	Jackson	Majestic Ranch	2012A	FB	1	Daniel J Boyden
1	Jefferson	Canyon East	2007A	CB	24	Housing Works
1	Josephine	Maple Ranch	2006A	FB	6	Edward L & Teresa N Gerber
1	Lane	Corey Commons	2002F	CB	2	St Vincent de Paul Society of Lane Co
1	Linn	Kitzrow and Schwartz Farm	2002A	FB	1	James Kitzrow and Lisa Schwartz Farm
2	Linn	Olsen Honey Farms	2010A	FB	1	Olsen Honey Farms



#	COUNTY	PROJECT NAME	CYCLE	Community Based/Farm-based	Unit Count	SPON/OWNER NAME
1	Marion	Nuevo Amanecer II	2007A	CB	40	Farmworker Housing Development Corp
2	Marion	Nuevo Amanecer I	2007F	CB	50	Farmworker Housing Dev Corp / LP
3	Marion	Colonia Libertad	2010&2004A	CB	48	Farmworker Housing Development Corp
4	Marion	St Joseph Shelter	2011A	CB	10	St Joseph Shelter
5	Marion	Garden City Apts	2012A	CB	20	Salem-Keizer CDC
6	Marion	Nuevo Amanecer IV	2012A	CB	40	Farmworker Housing Development Corp
7	Marion	Bill Case Farmworker Housing	2006A	FB	5	Bill Case Farms
8	Marion	Chapin Orchards	2009A	FB	1	Chapin Orchards LLC
9	Marion	Santiam Farms	2010A	FB	4	Santiam Farms Inc
1	Polk	Colonia Amistad	2005F	CB	38	Farmworker Housing Development Corp
2	Polk	Alluvial Farm	2002A	FB	1	John I Haas Inc
3	Polk	Jenks-Olsen Farms	2004A	FB	2	Jenks-Olsen Farms Inc
4	Polk	Kirk Manufactured Home	2006A	FB	1	JD Kirk and Sons Inc
1	Umatilla	Hacienda West Apts	2001F	CB	32	UGMW Nonprofit Development Corp
2	Umatilla	Milton-Freewater Orchard Homes	2002A	CB	140	Milton-Freewater Orchard Homes Inc
1	Union	George Galloway	2002A	FB	6	George M Galloway & Andrea K Walters
1	Wasco	Cielo Grande Apartments	2012A	CB	23	Columbia Cascade Housing Corp / CASA
2	Wasco	Cramer House	2004A	FB	1	Orchard View Farms Inc
3	Wasco	Dufur House	2004A	FB	1	Orchard View Farms Inc
4	Wasco	Hazel Dell Orchards	2004A	FB	63	Hazel Dell Orchards LLC
5	Wasco	Blaine Limited Partnership	2005A	FB	8	Rick & Sydney Blaine
6	Wasco	Highland at Millcreek	2005A	FB	1	Highland LLC
7	Wasco	Omeg Orchards - 2005	2005A	FB	5	Omeg Orchards Inc
8	Wasco	Tygh Orchard	2005A	FB	1	Klindt Inc
9	Wasco	Cramer Camp	2007A	FB	20	Orchard View Farms Inc
10	Wasco	Hi Valley Camp	2007A	FB	12	Orchard View Farms Inc
11	Wasco	Knob Hill Home Cabins	2007A	FB	6	Timothy Dahle
12	Wasco	Orchard View Main Camp	2007A	FB	28	Orchard View Farms Inc
13	Wasco	Overman House	2008A	FB	1	Orchard View Farms Inc
14	Wasco	Lester Farmworker Housing	2008A	FB	9	James and Linda Lester
15	Wasco	C & F Orchards Phase I	2008A	FB	58	C & F Orchards by John Carter
16	Wasco	C & F Orchards Phase II	2008A	FB	3	C & F Orchards by John Carter
17	Wasco	Omeg Orchards - 2009	2009A	FB	43	Omeg Orchards Inc
18	Wasco	Dahle Orchards	2010A	FB	13	Dahle Orchards
19	Wasco	Dahle Orchards 2	2010A	FB	1	Dahle Orchards
20	Wasco	Dahle Orchards 3	2011A	FB	2	Dahle Orchards
21	Wasco	McClaskey Orchard	2011A	FB	4	John & Dawn McClaskey
22	Wasco	Anderson Fruit	2012A	FB	8	Anderson Fruit Inc
23	Wasco	Anderson Fruit 2	2012A	FB	1	Anderson Fruit Inc
24	Wasco	Polehn Farms	2012A	FB	4	Polehn Farms Inc / Polehn Family Trust
1	Washington	Cornelius Park Apts	2005A	CB	24	Hsg Dev Corp of Washington Co
2	Washington	Elm Park Apts	2005A	CB	66	Hsg Dev Corp of Washington Co
3	Washington	Reedville Apts	2005A	CB	49	Hsg Dev Corp of Washington Co
4	Washington	Juniper Gardens Apts	2010A	CB	24	Bienestar
5	Washington	Juniper Gardens 2	2011A	CB	22	Bienestar
6	Washington	Scholls Ferry Community Farm	2009A	FB	14	Old Scholls Ferry LLC
1	Yamhill	Villa del Sol - McMinnville	2003A	CB	24	Yamhill CDC
2	Yamhill	Fresa Park Apts	2004A	CB	14	Housing Authority of Yamhill Co / CASA



Attachment 4

State Agency FWHTC Memorandum of Understanding (OHCS, DOR, DCBS)

STATE OF OREGON OREGON HOUSING AND COMMUNITY SERVICES

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding No. 1535 ("Agreement") is entered into between the State of Oregon acting by and through its Department of Housing and Community Services ("OHCS") and its Department of Revenue ("DOR") and its Department of Consumer & Business Services Occupational Safety and Health Division ("OR-OSHA") referred to collectively herein as "the Parties".

Background

2012 Farm Worker Housing Tax Credit ("FWHTC") Changes

In 2011, the Joint Committee on Tax Credits contemplated extension of the sunset on the FWHTC to 2020. While this committee (and a previous review by a policy committee) were supportive of the extension, a number of questions came up during the legislative hearings. With insufficient time in the session to make a decision, committee leadership promised to revisit the issue in the 2012 session.

Over the summer of 2011 and into 2012, representatives from the Departments of Revenue, Oregon Housing & Community Services, Oregon Department of Agriculture, and OR-OSHA met with the Oregon Farm Bureau, Oregon Association of Nurseries, Oregon Opportunity Network and various housing groups to address many of the questions that came up during those committee hearings.

The group determined that the following changes should be made to the FWHTC program to better account for housing created/rehabilitated on-farm and in the community.

Agreement Parameters

Regulatory/Administrative Changes-OHCS

1. Prior to award of credits, OHCS shall verify with OR-OSHA that owners of farm labor camps who apply for FWHTCs are current with the registration (if required) of their farm labor camp as well as being in compliance with all rules and regulations related to their farm labor camps.
2. OHCS will provide OR-OSHA with a list of all projects receiving tax credits.
3. During the 10 -year compliance period of the tax credits, OHCS will periodically cross check with OR-OSHA that labor camps receiving tax credits are still registered.
4. OHCS will re-evaluate the amount of credit award based upon actual project costs at completion of work and will adjust the amount of credit awarded if actual costs are insufficient to support original award. Information will be forwarded to DOR.
5. Annually, OHCS and DOR will prepare a report that shows the total amount of FWHTCs awarded and claimed on an annual basis. Both agencies will track the credits to determine

Oregon Housing and Community Services 725 Summer St NE Ste B, Salem OR 97301 PH:503-986-2000 Fax:503-986-6705



potential future liability to the state from unclaimed/unused credits.

Regulatory/Administrative Changes - OR-OSHA

1. FWHTC-funded camps will be included in the pool from which the farm worker housing inspection scheduling list is drawn.
2. Subsequent to an on-site inspection of labor housing receiving tax credits, OR-OSHA will take the following steps. If camp is in compliance with the requirements of OR-OSHA farm labor housing rules, no action is necessary. If not in compliance, OR-OSHA will take its usual actions and will inform DOR and OHCS of any citations issued.

Regulatory/Administrative Changes – DOR

1. Ensure the credit is tracked.

For Corporate returns, tracking must be based on the credit information provided by OHCS (credits awarded, tax payer, etc.) and transfer information from tax recipient or OHCS. There is no separate line, no ability to input a code on corporate returns.

For personal tax returns, this information can currently be tracked with a code.

With both programs, ability to track carryover amounts is limited to approximation of the difference between awarded and claimed. There is no way to tell from the tax return how much credit is carried to the next year.

Credit information is limited to summary form; no individual tax return information can be disclosed.

2. Expanded reporting between DOR/OHCS will show:
 - Project completion date, thus improving monitoring of credits to assure they are claimed after completion of work and for allowable term (OHCS began this practice for 2011 credits awarded);
 - Name and contact information of contributors who may have purchased credits thus identifying the taxpayer who will claim credit;
 - Total amount of FWHTCs awarded and claimed on an annual basis. Both agencies will track the credits to determine potential future liability to state from unclaimed/unused credits. DOR will provide reporting to OHCS by December 1st each year on the previous tax year.

Term of Agreement

Unless otherwise amended or extended, this Agreement shall be effective as of the date of execution by all Parties, and shall remain in effect until terminated.

Compliance with Applicable Law

All Parties shall comply with all federal, state and local laws, regulations, executive orders and ordinances applicable to the work under this Agreement including but not limited to Oregon Revised Statute 315.163-315.172.

Contact Persons/Authorized Officials

Unless otherwise stated, the designees named below shall be the contact for all activities relating to the work to be performed under this Agreement.

Department of Consumer & Business Services

Occupational Safety and Health Division
Marilyn Schuster
350 Winter St NE Rm 430
Salem, OR 97209-0405
Phone: 503-378-3272

Department of Revenue

Business and Personal Tax
Ken Ross
955 Center St NE
Salem, OR 97301
Phone: 503-945-8890

Oregon Housing and Community Services

Multifamily Housing Section
Heather Pate
725 Summer St. NE, Ste. B
Salem, OR 97301-1266
Phone: 503-986-6757


Amendments

The terms of this Agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever, except by written instrument signed by all Parties.

Approvals

Now, therefore, in consideration of the mutual promises and undertakings contained herein, the parties hereto consent to the provisions of this Agreement.

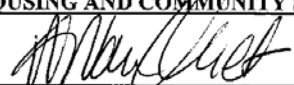
DEPARTMENT OF CONSUMER & BUSINESS SERVICES OCCUPATIONAL SAFETY AND HEALTH DIVISION

Authorized Signature:  Title: Administrator Date: 2/9/12
Michael Wood

DEPARTMENT OF REVENUE

Authorized Signature: (See attached signature page) Date: _____
Stephanie Lehman

OREGON HOUSING AND COMMUNITY SERVICES

Authorized by:  Date: 2.13.12
Margaret S. Van Vliet, Director or designee



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Occupational Safety and Health Division
Marilyn Schuster
350 Winter St NE Rm 430
Salem, OR 97209-0405
Phone: 503-378-3272

Department of Revenue
Business and Personal Tax
Ken Ross
955 Center St NE
Salem, OR 97301
Phone: 503-945-8890

Oregon Housing and Community Services
Multifamily Housing Section
Heather Pate
725 Summer St. NE, Ste. B
Salem, OR 97301-1266
Phone: 503-986-6757

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DEPARTMENT OF CONSUMER & BUSINESS SERVICES OCCUPATIONAL SAFETY AND HEALTH DIVISION

Authorized Signature: _____ Title: _____ Date: _____
Michael Wood

DEPARTMENT OF REVENUE

Authorized Signature: Stephanie Lehman Title: Procurement Contracts manager Date: 2/9/12
Stephanie Lehman

OREGON HOUSING AND COMMUNITY SERVICES

