



February 8, 2016

Dear Chair Barnhart and members of the Revenue Committee:

I write on behalf of Oregon Opportunity Network in support of HB 4043, which would create a capital gains tax exemption for the sale of buildings by a for-profit entity to a governmental or non-profit entity for the purpose of affordable housing. This concept could aid considerably in a number of different affordable housing strategies. Providing capital gains tax relief will be compelling to sellers and thus will help increase opportunity to acquire much-needed affordable housing. We believe the public benefit and cost-effectiveness of securing long-term affordable housing stability will far exceed any foregone revenue through the tax exemption.

One example would be the acquisition of what is known as preservation properties. These properties were originally federally subsidized by HUD or Rural Development, but are reaching the end of their required affordability period. At that point owners have the option of converting the property to market rates, which displaces the extremely low income residents. In the situations where housing authorities or non-profits have been able to acquire properties, they have been paying market values and then combining a variety of federal, state, local and private funds to cover the cost of acquisition and rehabilitation. With a capital gains tax exemption, the sales price may be reduced, which in turn would create a significant reduction in the need for new public subsidies for the project.

Capital gains tax exemptions may be especially attractive to owners who don't wish to do a 1031 exchange—in other words, owners who don't wish to buy a new piece of real estate. For example, one acquisition currently in negotiations involves a seller who is a widow in her eighties who is very concerned about the tax consequences of a sale. The capital gains exemption could be very compelling in those negotiations.

Another example where this exemption would be useful is in “open-market-to-affordable” transitions. This is a promising, cost-effective strategy to secure affordable housing where a housing authority or non-profit owners acquires privately owned properties that currently house families with low incomes. The new owner commits to long-term affordability, creating a hedge against inflationary rent increases and the risk of displacement.

It's important to note that a capital gains tax exemption already exists with respect to owner purchases of manufactured home parks. Our members who facilitate owner purchases of manufactured housing parks have found that the capital gains exemption is one of the most valuable tools in getting a seller to consider a sale to a non-profit. It's essentially the only competitive edge that non-profits have against private investors who can often beat us on price and the time in which they can close a deal. In some cases, the non-profit may be able to offer a little bit less for the park, yet the seller will net more because of the exemption. It's the only "carrot" that gets sellers to the table and if it wasn't available, would greatly impede the important work of preserving affordable manufactured home parks, particularly in rural areas. We believe that expanding this tool to other properties makes great sense.

Thank you very much for your consideration of this new tool for cost-effective acquisition and preservation of desperately needed affordable housing.

Sincerely,



Ruth Adkins  
Policy Director

#### Oregon ON member organizations:

Statewide	Southern Oregon	BRIDGE Housing
CASA of Oregon	ACCESS	Central City Concern
Cascadia Behavioral Healthcare	Housing Authority of Jackson County	Community Housing Fund
Catholic Charities	NeighborWorks Umpqua	CPAH
Enterprise Community Partners	United Community Action Network	Habitat for Humanity Portland/Metro
Habitat for Humanity of Oregon	Willamette Valley	East
Housing Development Center	Community Home Builders	Hacienda CDC
NOAH (Network for Oregon Affordable Housing)	Cornerstone Community Housing	Home Forward
Northwest Housing Alternatives	Farmworker Housing Development Corporation	Housing Authority of Clackamas County
Rural Community Assistance Corporation	Housing and Community Services of Lane County (HACSA)	Housing Authority of Washington County
Central & Eastern Oregon	Mainstream Housing, Inc.	Human Solutions, Inc.
Columbia Cascade Housing	NEDCO	Innovative Housing, Inc.
Community Connection of NE Oregon	Oregon Housing and Associated Services	NAYA Family Center
Housing Works	Polk CDC	PCRI
NeighborImpact	St Vincent de Paul of Lane County	Portland Housing Center
UGMW Non-profit Development Corporation	Willamette Neighborhood Housing Services	Proud Ground
Coastal	Portland Metro	REACH Community Development
Northwest Coastal Housing	Bienestar	ROSE Community Development
Community Action Team, Inc.		Sabin CDC

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