

House Committee on Human Services & Housing  
Oregon Affordable Housing Tax Credit Workgroup  
Report, March 2017

*Drafted by Alison McIntosh, on behalf of the Oregon Housing Alliance*

Chair Keny Guyer appointed Representative Meek and Representative Noble to participate in a workgroup with advocates for the Oregon Affordable Housing Tax Credit (OAHTC). Additional members included Marty Carty, Office of Representative Meek, Chris Allanach, Legislative Revenue Office, Ariel Nelson, Oregon Housing and Community Services, and Teresa Pumula, Oregon Housing and Community Services (OHCS). Advocates attending included Bill Van Vliet, Network for Oregon Affordable Housing and Alison McIntosh, on behalf of the Oregon Housing Alliance.

The workgroup began meeting on March 6, 2017, and met four times over the course of the month of March. Chair Keny-Guyer requested that the conversation will consider what we are doing now, what's working or not, and any new ideas that will spur development. At each meeting, the workgroup discussed the OAHTC, its mechanics, proposals on the table, and ways to improve the credit.

The workgroup reviewed the credit and its mechanism, and discussed potential changes to the credit. The workgroup reviewed the work of an earlier workgroup convened by Oregon Housing and Community Services (OHCS) which considered proposals to make the OAHTC more efficient. The workgroup had discussions regarding how this credit fits with other tools and strategies used by OHCS to finance affordable housing and increase the supply of affordable housing.

The workgroup met for the final time on Monday, March 27, with several recommendations back to the Committee.

The recommendations include:

1. Extending the sunset on the Oregon Affordable Housing Tax Credit to 2026 (six years from 2020).  
*Because of long development timelines for affordable housing, the credit is reviewed early by the Oregon Legislature. It has been six years since the last review of the credit.*
2. Expanding the Oregon Affordable Housing Tax Credit from its current cap of \$17 million to \$25 million. The workgroup considered expanding the credit to the \$34 million proposed in HB 2852, and instead decided to recommend that the cap should be extended to \$25 million in 2017 with direction to Oregon Housing and Community Services that they fully expend funds needed to build more affordable housing, and return to the Legislature when they have reached the new cap of \$25 million. It is the

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hope of the members of the workgroup that this will happen sooner rather than later because of the great need for affordable housing across Oregon.

3. Lastly, the workgroup considered several proposals for alternatives, and is recommending one change to the credit to increase funding for affordable housing.

*The development timeline for affordable housing projects is long. It includes the developer being awarded and assembling financing, local permitting processes and construction. As a result, the time between when OHCS awards or reserves an allocation of the OAHTC for new developments and the date when it is "Certified" and eligible to be claimed on as a tax credit can range up to 24 or 36 months. From the date the OAHTC is awarded or reserved, the credit is considered by OHCS to be spent with regards to the cap, even though no tax payer is claiming the credit during this period.*

*We propose to design a simple system to convert those reservations to cash each year. Each calendar year the "Reserved credits" for that year could be sold at a tax credit auction to taxpayers to generate cash for housing. This would simply make use of a committed, but unused resource each year. This change does not impact or require an additional increase in the cap each year. It will impact the state budget as those credits sold at auction would constitute forgone revenue. For context, OHCS currently has reservations for approximately \$105 million of loans. This translates into \$4.2 million of tax credits that could be sold this year.*

Finally, the workgroup has not yet drafted responses to questions from the Joint Tax Credit Committee. Advocates have provided background information on these questions. They are attached to this memo.

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