

# Oregon Affordable Housing Lender's Tax Credit

Oregon Legislative Revenue Office

2/14/2017

# What is this tax credit?

- Lenders that make qualified low-interest loans are allowed a tax credit equal to the difference between the rate offered and the market rate, up to a 4% difference
- Eligible projects: construction, development, acquisition, or rehabilitation of a manufactured dwelling park, low income housing, or a preservation project
- Loans must be certified by the OHCS
- There is a program cap of \$17 million in outstanding tax credits
- Loan recipient is required to pass on the savings from the reduced interest rate to tenants in the form of reduced housing payments

# Purpose Statement

- Not currently in statute
- Implementing legislation in 1989 indicates the policy was put forth, in part, as a response to a 70 percent reduction in federal funding for low-income housing development.
- Testimony from 2011 states that the policy purpose is to support:
  - The development of housing affordable to households with incomes up to 80 percent of area median income
  - The preservation of housing with federal rent subsidy contracts
  - The preservation of manufactured dwelling parks

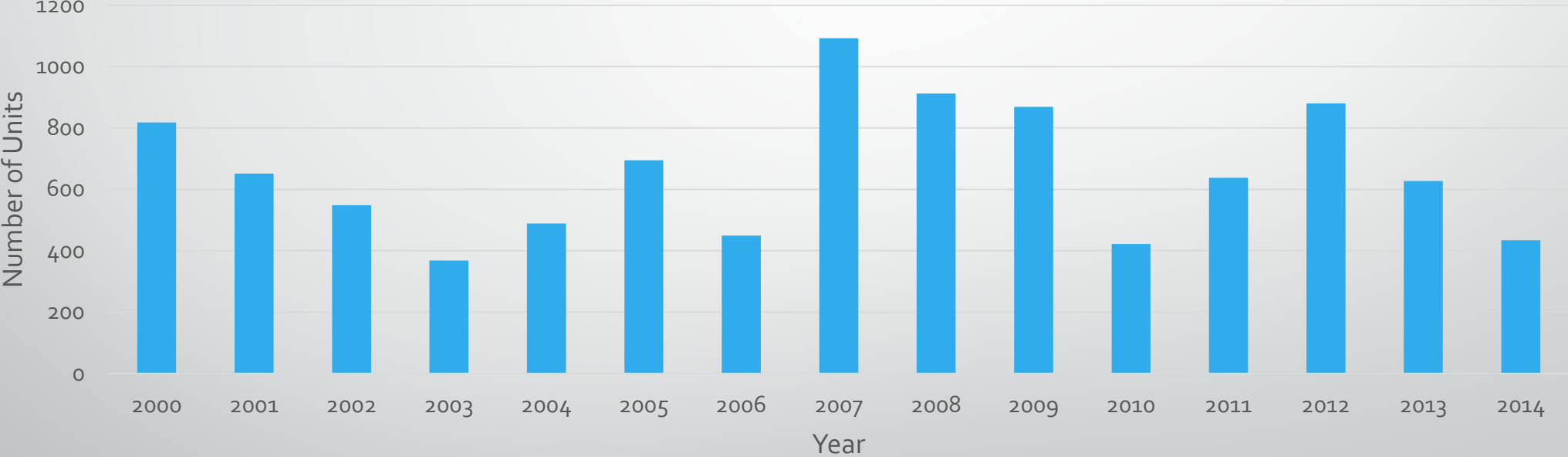
# An OAH LTC Example, \$1.5M Loan

	Loan with a 5% Interest Rate			Loan with a 1% Interest Rate			
Year	Principal	Interest	Payment	Principal	Interest	Payment	Tax Credits
1	\$119,257	\$75,000	\$194,257	\$143,373	\$15,000	\$158,373	\$60,000
2	\$125,220	\$69,037	\$194,257	\$144,807	\$13,566	\$158,373	\$55,471
3	\$131,481	\$62,776	\$194,257	\$146,255	\$12,118	\$158,373	\$50,658
4	\$138,055	\$56,202	\$194,257	\$147,717	\$10,656	\$158,373	\$45,546
5	\$144,957	\$49,299	\$194,257	\$149,195	\$9,178	\$158,373	\$40,121
6	\$152,205	\$42,052	\$194,257	\$150,687	\$7,687	\$158,373	\$34,365
7	\$159,816	\$34,441	\$194,257	\$152,193	\$6,180	\$158,373	\$28,262
8	\$167,806	\$26,450	\$194,257	\$153,715	\$4,658	\$158,373	\$21,793
9	\$176,197	\$18,060	\$194,257	\$155,253	\$3,121	\$158,373	\$14,940
10	\$185,007	\$9,250	\$194,257	\$156,805	\$1,568	\$158,373	\$7,682
Total	\$1,500,000	\$442,569	\$1,942,569	\$1,500,000	\$83,731	\$1,583,731	\$358,837

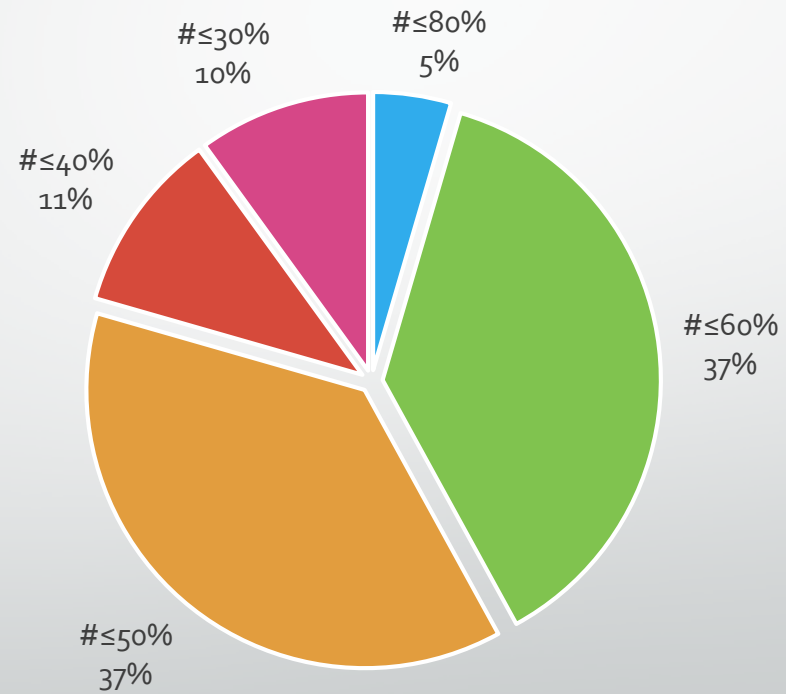
# Annual Cost of Tax Credit



# Affordable Housing Units



# Housing Units by Income Group, 2000-2014



# Program Cap and Outstanding Credits

