



March 4, 2019

House Committee On Revenue
900 Court Street NE
Salem OR 97301-4047

Dear Chair Nathanson, Vice Chair Findley, Vice Chair Marsh and members of the Committee:

Network for Oregon Affordable Housing (NOAH) is a non-profit community development financial institution providing financing for affordable rental housing in communities across the state. Over our 28-year history, NOAH has funded more than 220 permanent loans totaling \$260 million. These loans have helped create nearly 10,000 affordable rental homes.

Since 2007, NOAH also has managed the Oregon Housing Preservation Project which has worked in collaboration with public and private partners to preserve nearly 10,000 units of federally assisted rental housing, and manufactured housing communities. These preserved properties are located in 88 Oregon cities and towns, from Astoria to Burns, Coos Bay to Pendleton and Medford to Portland.

As the members of this Committee know, since the Great Recession rents have been rising faster than wages, and today 1 in 4 renters across the state are paying more than half of their income in rent. Oregon's shortfall of homes affordable to low-income renters is estimated at over 137,000 units. This well documented shortage of affordable rental homes has placed growing pressure on renters, which has been made worse the past few years by real estate investors purchasing existing apartment buildings with relatively affordable rents to convert to higher cost market rate rentals. As a result of this trend, lower income households have fewer affordable options in Oregon's dynamic private rental housing market.

Over the last five decades billions of dollars in public resources have been invested in the development of privately-owned, publicly supported affordable housing here in our state. As these rent-restricted properties come to the end of their contract period, owners may elect to convert them to market rate rentals or other uses. In response, Oregon has adopted some of the nation's strongest protections designed to preserve our existing subsidized housing and has invested nearly \$200 million in the long-term preservation of these important community assets.

But there is also growing concern about the loss of Oregon's privately-owned rental housing that provides affordable rents without government subsidies. In hot real estate markets like ours these properties are often snapped up quickly by investors, leading to displacement of long-term residents and gentrification of entire neighborhoods.

We know it will take many years to build our way out of the current housing shortage, so Oregon can, and should, do all we can to preserve our existing affordable housing. House Bill 2811 would replicate a very effective tool that has been used to help preserve manufactured home parks - a capital gains tax exemption offered to owners who agree to sell their property to a qualified preservation-focused organization. House Bill 2811 provides a similar incentive for owners of federally-assisted and market rate affordable housing, to sell their property to a mission-focused non-profit organization or public housing agency who will commit to keeping the property affordable for at least ten years. Once in the stable ownership of a mission-based organization, a long-term preservation strategy can be developed and implemented.

House Bill 2811 provides a state capital gains tax exemption to sellers of existing affordable housing or market rate housing, if they agree to sell to a qualified organization. This is a proven approach that has helped preserve manufactured home parks across the state by providing non-profits and resident cooperatives the means to compete with private investors. The tax exemption can often provide enough of an incentive for the seller to consider an offer from a preservation-focused purchaser. We're confident this incentive will work equally well in the multifamily sector.

HB 2811 may also increase the impact of the Metro and City of Portland affordable Housing bond programs and the OHCS proposed \$20 million "naturally occurring affordable housing" revolving loan fund, by incentivizing property owners to consider selling their existing multifamily properties to a preservation purchaser in exchange for the tax exemption. We know preserving existing multifamily housing can cost as little as two thirds the costs of building new units making preservation an efficient and cost-effective approach to providing affordable rental housing.

Given Oregon's critical shortage of affordable and available homes, we simply cannot afford to lose any of our existing affordable rental housing. While the number of homes available to people with low incomes continues to shrink, we can help slow this trend by preserving existing subsidized and market-rate affordable properties to ensure these homes will remain affordable.

I urge the Committee to support HB 2811 as it will provide another valuable tool to help secure Oregon's existing affordable housing and preserve it for the future.

Respectfully submitted,



Rob Prasch, Preservation Director
Network for Oregon Affordable Housing