HB 2584 A -A3 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 3/25, 4/19

WHAT THE MEASURE DOES:

Increases limit on total amount of outstanding affordable housing lender tax credits allowed in any fiscal year from $25 million to $35 million. Modifies certification requirement for a qualified borrower who uses the loan proceeds to finance certified construction, development, acquisition, or rehabilitation of housing if such preserved housing is or will be occupied by households earning less than 80 percent of area median income and subject to a rental assistance contract limiting tenant's rent to no more than 30 percent of their income. In specified circumstances, increases limit on period during which the tax credit is allowed for the qualified loan from 20 years to 30 years. Applies to tax years beginning on or after January 1, 2022.

ISSUES DISCUSSED:

- Use of loans and related housing being supported
- Types of housing that may benefit from credit
- Outcome when ownership of property changes
- Potential of lender to sell loan to another institution
- Oversight role of Oregon Housing and Community Services Department.

EFFECT OF AMENDMENT:

-A3 Expands qualified purchase of bonds to include such qualified bonds issued on behalf of a housing authority.

BACKGROUND:

Corporations that make qualified loans at below market interest rates for eligible housing projects are allowed a tax credit equal to the difference between the finance charge on the loan and the finance charge that would have been imposed if the loan were issued at market interest rates. The difference between the finance charged and market rate may not exceed four percent. Eligible housing projects include construction, development, acquisition, or rehabilitation of low income housing, a preservation project or a manufactured dwelling park. A preservation project is housing that was previously developed as affordable housing with a contract for rent assistance from the United States Department of Housing and Urban Development or the United States Department of Agriculture. With the exception of preservation projects and manufactured dwelling parks, the full savings generated by the lower interest rate must be passed through directly to the tenants of the housing. Corporations may also purchase bonds issued on behalf of the Housing and Community Services Department, if the proceeds of which are used to finance or refinance a loan used for providing the aforementioned housing.

Qualified loans are those that are certified by the Oregon Housing and Community Services Department (OHCS). OHCS may certify qualified loans such that the total amount of outstanding tax credits in any fiscal year does not exceed $25 million.