Oregon Affordable Housing Tax Credit (OAHTC) Information:

What it is: The OAHTC is a state income tax credit that produces lower rents for low income renters in affordable housing projects.

How it works: The OAHTC allows banks to reduce interest rates on loans for affordable housing by 4% and claim a state income tax credit equal to the lost interest income caused by the lower rate. Property owners must agree to pass 100% of interest savings to low income tenants in the form of permanent rent reductions.

Example: A bank that normally would make a permanent loan for a housing development at 5.50% would be able to make that same loan for 1.50%, and recover the lost revenue as a state income tax credit. The lower interest rate results in lower loan payments to the bank. This in turn allows property owners to lower rents and still pay back the loan. In the example on the reverse, this program saves a project $45,424 in loan payments each year and directly lowers rents by over $112/unit per month and more.

Who benefits?: Low income renters. The lenders and owners derive no direct financial benefit. Nearly all households that benefit from this program earn less than 50% of Area Median Income (AMI), and in many cases, below 30% AMI.

Why is it important?: The OAHTC rent savings allow households to be financially stable and not be forced to choose between housing and food, medicine or heat.

Without the program, many projects could not be built. Especially in rural communities where incomes are low, decent housing is unaffordable without this program. The local value from the economic development aspect of affordable housing development must be emphasized, especially with Oregonôs struggling economy.

Program strengths:

- 100% of the benefit of the tax credit **goes to the tenants**, NOT the banks or owners.
- The program **leverages bank and other private investment** into communities that otherwise would not occur. Private capital leverage is significant. Every $1 million in credit allocated triggers $25 million in private loans and produces $75-$100 million in new development activity in Oregon communities.
- The program is **extremely efficient**. There is very little program overhead to support. Since these credits are not discounted and sold, all of the credit achieves policy goals and strengthens communities.
- Housing development **generates statewide jobs** and is a powerful economic development tool. Even after construction, these projects have lasting economic benefits to communities by purchasing supplies and services (landscaping, repairs and maintenance) from local vendors.
- Monthly rent savings become an economic annuity that tenants can spend on necessities in their communities.

Program Exceptions:

The Oregon Legislature exempted the ñpass-throughò requirement for projects that benefit from federal rental subsidies (such as Section 8) and for manufactured home parks purchased by resident cooperatives and non-profits. The exemption allows full rental income (without the passed-through rental reduction) along with the lower interest rate from the tax credit. The lower rate allows for larger loans, making more private capital available to finance these projects. This means fewer public capital resources are required.

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Network for Oregon Affordable Housing

Rent Savings:

	# Units	Without OAHTC	With OAHTC	Rent Savings
Area Median Income %		60%	50%	
Area Median Income -family of four		$ 35,820	$ 29,850	
	# Units	Rents	Rents	Rent Savings
1 Bedroom	4	$ 672	$ 560	$ 112
2 Bedroom	24	$ 807	$ 672	$ 135
3 Bedroom	4	$ 931	$ 776	$ 155
Total Annual Rental Income	***32***	***$ 309,360***	***$ 257,664***	***$ 51,696***
Net Income				
Loan Amount		$ 1,700,000	$ 1,700,000	
Interest Rate		***5.50%***	***1.50%***	4.0%
Amortization Schedule (years)		30	30	
Annual Debt Service		***115,829***	***70,405***	***$ 45,424***

Cost to Achieve OAHTC Rents without the Tax Credit:

	# Units	50% AMI Rents & **OAHTC** Interest Rate	50% AMI Rents & **Market** Interest Rate	
1 Bedroom	4	$ 560	$ 560	
2 Bedroom	24	$ 672	$ 672	
3 Bedroom	4	$ 776	$ 776	
Total Annual Rental Income	32	$ 257,664	$ 257,664	***Additional Capital Requirement w/o OAHTC***
Loan Amount		$ 1,700,000	$ 1,040,000	***$ 660,000***
Interest Rate		***1.50%***	***5.50%***	
Amortization Schedule (years)		30	30	
Annual Debt Service		***70,405***	***70,860***	