



HOUSING ALLIANCE

June 2, 2021

Senate Committee on Finance and Revenue
Oregon State Legislature
900 Court Street NE
Salem, OR 97301

Dear Chair Burdick, Vice-Chair Boquist, Members of the Committee:

I am writing to you today on behalf of the Oregon Housing Alliance to express our support for HB 2446, which extends the sunset date until 2028 for a property tax exemption for affordable housing.

The Oregon Housing Alliance is a coalition of more than ninety organizations from all parts of the state. We believe that all Oregonians need a safe, stable, and affordable place to call home.

Across Oregon, we simply do not have enough affordable and available homes for every household who needs one. For many decades, though, organizations across Oregon, affordable housing developers and public housing authorities have been building safe, stable, and affordable homes. These rental homes receive public funds, and in exchange, follow strict rules about the incomes of people who qualify for the housing, and how much rent can be charged.

We have many local, state, and federal tools to help pay for the development of these apartment homes, although the need for these homes is far greater than the currently available resources. A typical affordable housing development relies on a half dozen or more of these funding sources or tools to meet the necessary rent targets for the project and make the project feasible. Property tax exemptions are one tool to help incentivize and make financially viable affordable housing developments across our state, and over the years, the Legislature has authorized several property tax exemptions for affordable housing.

Property tax exemptions for affordable housing are critical for several reasons. Exemptions recognize the importance of affordable housing in our communities, and provide an on-going financial subsidy to the project by lowering the annual operating expense. Without property tax exemptions, affordable housing developers would need additional resources to serve the lowest income members of our communities, and typically those additional resources would have to come from public entities. Because the rents are restricted to people with low incomes, and because the regulations of funding sources generally don't allow it, the development cannot simply raise its rents to cover a significant cost increase.

Prior to a development being constructed, developers have essentially solved a complex math problem, pulling together grants, loans, and other sources of funding to purchase land, construct a building, and pay for its ongoing operations with the restricted rents that are paid by the people who will ultimately live in the building. A property tax exemption is one additional tool that supports the development and continued existence of the affordable housing in communities.

The property tax exemption being extended through HB 2446 has a unique history. Prior to 2013, many affordable housing developments qualified for a property tax exemption under ORS 307.130, which is the

statute which allows non-profit organizations to receive a property tax exemption to support their mission and work. This statute covers many different types of “charity,” from churches to hospitals to museums and service agencies like the Red Cross and YMCA. Oregon courts, the Legislature, and the Department of Revenue have struggled for decades to define what is or is not a charity eligible for this exemption. To illustrate the difficulty of defining “charity,” note that this statute has been amended almost twenty times since its adoption in 1955. Whether or not an affordable housing development received this exemption was a matter of local policy, meaning a local county assessor would have decided whether the project qualified under ORS 307.130.

However, due to a change in policy by Department of Revenue, local assessors began cancelling property tax exemptions previously granted to these projects and instead began taxing them. As a reminder, these projects were financed and constructed with the assumption that they would remain exempt from property taxes. As affordable housing rents are restricted, and cannot simply be raised to meet additional expenses, these organizations faced a significant, unplanned for expense. As a result of this change in policy and subsequent tax bill, one non-profit organization, the organization then known as Corvallis Neighborhood Housing Services, filed a lawsuit¹ to challenge the change in policy. Note that the organization and its affordable housing developments had not changed; rather, the Department of Revenue had changed their policy as to whether these projects were still eligible for the exemption.

The Tax Court found that the affordable housing developments did not meet the criteria for the property tax exemption under ORS 307.130 because they received rent, albeit reduced, for the units. As a result of the change in policy and subsequent court decision, many affordable housing properties across Oregon were no longer eligible for this exemption. They were faced with closing down or seeking additional public subsidy. To avoid further appeal, the Department of Revenue and Corvallis Neighborhood Housing Services agreed to a moratorium on new exemptions while preserving those previously – prior to July 1, 2014 – approved by local assessors, and they asked the Legislature to consider a bill to that effect.

In 2014, the Legislature considered and passed HB 4039², which created an exemption explicitly for these properties. This exemption was created in recognition that the affordable housing, owned and operated by a non-profit organization, continues to provide benefit to our communities and to the people who live in these affordable rental homes. The exemption also recognized that the owners of the affordable housing had not financed these properties with the expectation they would pay property taxes in the future, and financing, grants, loans, and expected revenue from rents had not factored in an unexpected expense from loss of the property tax exemptions.

HB 4039 was a temporary, four year exemption from property taxes. The Legislature at the time did consider a broader look at which nonprofits qualify for the charitable exemption under ORS 307.130, however their work did not result in a proposal during another session. In 2016, when this exemption was last considered for renewal by the Legislature, the Staff Measure Summary³ included significant background information on the Court case, and action by the Legislature. In 2016, HB 4081⁴ extended the sunset until 2022, and passed both the House and the Senate unanimously.

HB 2446 does not allow any new affordable housing developments to qualify for this exemption. The policy simply maintains the existing affordable housing. In 2016, the Legislative Revenue Office indicated the total impact⁵ of this policy is less than one million dollars per biennium.

¹ <https://law.justia.com/cases/oregon/tax-court-regular-division/2013/tc-4996.html>

² <https://olis.leg.state.or.us/liz/2014R1/Measures/Overview/HB4039>

³ <https://olis.leg.state.or.us/liz/2016R1/Downloads/MeasureAnalysisDocument/33531>

⁴ <https://olis.oregonlegislature.gov/liz/2016R1/Measures/Overview/HB4081>

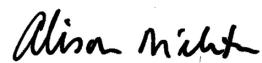
⁵ <https://olis.oregonlegislature.gov/liz/2016R1/Downloads/MeasureAnalysisDocument/33095>

When regulated affordable housing is built with public dollars, regulatory agreements are put in place that require the housing to remain affordable for at least thirty years, and more commonly sixty years. In some jurisdictions, local dollars also mean that the housing should remain affordable for ninety-nine years. As noted above, these projects have multiple funding sources, all of which have restrictions. To qualify originally for the 2014 legislative extension of this exemption, the organization had to be a non-profit organization, and developers agreed to inform assessors if there was ever either a change in ownership or a change in the property use that meant they were no longer operating as an affordable housing property with restricted income eligibility and restricted rents.

We urge you to support of HB 2446, and maintain this important exemption for affordable housing.

Thank you very much for your time, and for your service to our state.

Sincerely,

A handwritten signature in black ink that reads "Alison McIntosh". The signature is written in a cursive, flowing style.

Alison McIntosh
On Behalf of the Oregon Housing Alliance

Housing Alliance Members

1000 Friends of Oregon
211info
Aging in the Gorge
Benton Habitat for Humanity
Bienestar
Bradley Angle
BRIDGE Housing
Business for a Better Portland
CASA of Oregon
Central City Concern
Chrisman Development
Church Women United of Lane County
City of Beaverton
City of Eugene
City of Forest Grove
City of Hillsboro
City of Hood River
City of Portland
City of Tigard
Clackamas County
Coalition of Community Health Clinics
Coalition of Housing Advocates
College Housing Northwest
Community Action Partnership of Oregon
Community Action Team
Community Alliance of Tenants
Community Development Partners
Community Housing Fund
Community Partners for Affordable Housing
Community Vision
Cornerstone Community Housing
DevNW
Ecumenical Ministries of Oregon
Enterprise Community Partners
Fair Housing Council of Oregon
Farmworker Housing Development Corp.
FOOD for Lane County
Habitat for Humanity of Oregon
Habitat for Humanity Portland/Metro East
Hacienda CDC
Home Forward
Homes for Good
Housing Authorities of Oregon
Housing Authority of Clackamas County
Housing Development Center
Housing Oregon
Human Solutions
Immigrant & Refugee Community Organization
Impact Northwest
Innovative Housing, Inc.
Interfaith Alliance on Poverty
JOIN
Lane County Health and Human Services
League of Oregon Cities
League of Women Voters of Oregon
Lincoln County
Looking Glass Community Services
Mainstream Housing Inc.
Metro
Mid-Columbia Housing Authority
NAYA Family Center
Neighborhood Partnerships
NeighborImpact
NeighborWorks Umpqua
Network for Oregon Affordable Housing
Northwest Housing Alternatives
Northwest Pilot Project
Oregon AFSCME Council 75
Oregon Coalition of Christian Voices
Oregon Center for Public Policy
Oregon Coalition on Housing & Homelessness
Oregon Council on Developmental Disabilities
Oregon Food Bank
Our Children Oregon
Partners for a Hunger-Free Oregon
Portland Community Reinvestment Initiatives
Portland Homeless Family Solutions
Proud Ground
Raphael House
REACH CDC
Residents Organizing for Change (ROC Oregon)
Rogue Action Center
Rose CDC
St. Francis Shelter
St. Vincent de Paul of Lane County, Inc.
ShelterCare
Sisters Habitat for Humanity
Sponsors, Inc.
SquareOne Villages
Street Roots
Think Real Estate
Transition Projects
Washington County
Welcome Home Coalition