

HB 2465 A STAFF MEASURE SUMMARY

Joint Committee On Ways and Means

Prepared By: Michelle Deister, Budget Analyst

Sub-Referral To: Joint Committee On Tax Expenditures

Meeting Dates: 3/10

WHAT THE MEASURE DOES:

Allows eligible borrowers utilizing affordable housing lender tax credit to use loan proceeds to finance the construction, development, acquisition, or rehabilitation of limited equity cooperative housing. Defines limited equity cooperative as cooperative corporation in which the sale of ownership interests is restricted to low-income individuals, and may not exceed the original sales price, the cost of permanent improvements made to the unit or to the building in which the unit is located, plus specified interest earned on the property. Applies to tax years beginning on or after January 1, 2024. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The Oregon Affordable Housing Lender Tax Credit allows lending institutions to reduce interest rates on qualified loans for the construction, development, acquisition, or rehabilitation of a manufactured dwelling park, low-income housing, or preservation project previously developed as affordable housing through federally funded assistance. The credit covers up to four percent of the unpaid balance of a qualified loan during the tax year in which it is claimed. In order to be eligible for a lower interest rate, the loan recipient must pass on the savings from the reduced interest rate to tenants by lowering or maintaining rent so that it does not exceed 80 percent of area median income.

Limited equity cooperatives are one example of a shared-equity homeownership model, which aims to provide permanent affordability for low-income homeowners. In this model, the co-op member signs a proprietary lease, and the co-op owns the property and manages improvements on the land. A member may sell the unit for the same price they paid plus the cost of any improvements and an annual interest rate. In certain projects, a community land trust purchases the land through a 99-year ground lease subject to an affordability covenant for the duration of the lease.

House Bill 2465 A allows eligible borrowers utilizing the affordable housing lender tax credit to use loan proceeds to finance the construction, development, acquisition, or rehabilitation of limited equity cooperative housing.