



OCHN Supports HB 2465

January 25, 2023

To: House Committee On Housing and Homelessness

Dear Committee Chair and Members,

The Oregon Cooperative Housing Network (OCHN, also known as OR Co-Op) is happy to support HB 2465, to allow limited equity cooperatives to qualify for Oregon Affordable Housing Tax Credits (OAHTCs) without going through a rental program.

The problem this bill seeks to help address is that, despite the success of manufactured dwelling park co-ops, multi-family housing organized as a Limited Equity Cooperative (LEC) remains an unfamiliar concept in Oregon and an untapped resource for addressing the state's housing affordability crisis. As a result, LECs do not currently qualify for several incentives that are available to other affordable housing types serving a similar income demographic.

To address this problem, HB2465 has been proposed to extend an existing housing finance incentive, the Oregon Affordable Housing Tax Credits (OAHTCs), to LECs, without going through a rental program.

This would allow the LEC to reduce the interest rate on its mortgage by 4%, a savings that would be directly passed on by reducing the monthly carrying charges paid by residents to the co-op. OAHTCs are already offered to manufactured dwelling park co-ops and to rental housing projects paired with LIFT Rental.

The overall intent is to 1) allow LEC projects to hit deeper affordability goals in providing resident-owned housing, and 2) encourage more housing developers to pursue the LEC ownership structure.

At OCHN, we know of only a single organization, one of our members, SquareOne Villages, who is actively developing new cooperative housing in the State of Oregon. In 2019, SquareOne received a grant from Meyer Memorial Trust to research and develop the LEC ownership model. SquareOne piloted a 6-unit LEC in Springfield in 2020 (C Street Co-op), and is currently under construction on a 70-

unit LEC in Eugene that will be permanently affordable to households under 60% Area Median Income (Peace Village Co-op). SquareOne has another large LEC project in the pre-development stage, and several other future development opportunities on the table.

There has been growing interest in the cooperative housing model in Oregon as a long-term affordable housing solution. Indeed, our organization was only recently formed as an effort to organize and advocate for more cooperative housing as a missing solution to our state's housing crisis.

Cooperative Housing is multi-family housing that is collectively owned by the residents through a cooperative corporation. Each resident has an ownership interest in the co-op, rather than owning their individual dwelling unit.

A Limited-Equity Cooperative (LEC) is one in which the proceeds that members can get from selling their ownership interest in the co-op is limited by the pre-determined formula set in the bylaws. This keeps the cost of shares low and preserves affordability for future members.

We need housing cooperatives to be an option for Oregonians across the state, because of the limitations that are inherent to rental housing and single-family homeownership in general:

- The vast majority of public investment into affordable housing is restricted to low-income rental housing. In rental housing, low-income residents lack control, security of tenure, and equity. A broad realization is occurring that this is inequitable, and that traditional Affordable Housing programs may serve to actually keep people in poverty, rather than providing pathways to build generational wealth or otherwise to attain equitable outcomes.
- Homeownership is not a one size fits all solution. In traditional single-family homeownership, lower-income residents are exposed to significantly greater risk, partially due to the need to maintain aging structures without the benefit of cash reserves to draw upon, and are far less likely to generate wealth when compared to higher-income homeowners.
- Combining single-family homeownership with a community land trust model is one effective way for creating greater accessibility and stability to low-income

households, however the household still must qualify for a mortgage, which is out of reach for many, and land trusts by themselves may or may not provide maintenance services to properties on their rolls.

- Oregon Housing & Community Services has two divisions, rental and homeownership, which target different demographics. The rental programs primarily target households under 60% area median income (AMI), whereas the homeownership programs primarily target households between 60% to 80% AMI. None of their programs target households between 80% and 120% of AMI, which may still have trouble finding housing in many areas of our state.

In response to these limitations, LECs can provide a pathway to resident-owned housing for households under 60% AMI, providing greater stability and control to a population otherwise relegated to rental housing. LECs don't require each household to qualify for an individual mortgage. Instead, the co-op holds a single mortgage, and each member pays monthly carrying charges to cover all operating costs, debt service, reserves, etc. Other forms of cooperative housing, such as mixed-income cooperatives, can serve households at other income levels.

The State of Oregon has already made moves to begin promoting permanently affordable LECs at scale: In 2021, the state legislature awarded OCHN member, SquareOne Villages, \$2m under HB5202 to create a "Shared-equity Affordable Homeownership pilot program." Along with some other one-time funding, this allowed SquareOne to begin construction on the 70-unit Peace Village Co-op, which combines LEC with a CLT model, creating a permanently affordable homeownership opportunity for households under 60% AMI.

In order to replicate this, the state needs to establish ongoing funding and incentives for LEC housing, such as:

- Property Tax Exemption (as proposed in HB2466)
- Oregon Affordable Housing Tax Credits (as proposed in HB2465)
- Additional funding for the Shared-equity Affordable Homeownership pilot program

We're here and ready to support you in making these additional moves to help solve our state's housing crisis by scaling up the cooperative housing tool.

Please, don't hesitate to reach out with any questions, comments, concerns, or suggestions!

Signed,

A handwritten signature in blue ink, appearing to read 'Gh' followed by a long horizontal stroke.

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