



SB 944: This incentive for affordable housing won't work

Senate Committee on Finance and Revenue | Richard Swift | 3/09/2023

Chair Meek, Vice Chair Boquist and members of the committee:

My name is Richard Swift, on behalf of Tax Fairness Oregon, a network of volunteers who advocate for a rational and equitable tax code. I spent my career in Oregon in local government, including 10 years as Clackamas County Housing Director.

SB 994 intends to create workforce housing through the allowance of tax credits to home builders or buyers whose income is below 120% of average median income (AMI). Comparison to the federal Low-Income Housing Tax Credit (LIHTC) can illustrate why this concept is flawed.

LIHTC subsidizes the acquisition, construction, and rehabilitation of affordable rental housing for low- and moderate-income tenants. The LIHTC enacted in 1986, has been modified numerous times. Since the mid-1990s, LIHTC has supported the construction or rehabilitation of about 110,000 affordable rental units each year (except for 2008-09), with over 2 million units in all since its inception.

It is designed to enable developers to “buy down” their funding costs with the proceeds from the sale of tax credits. This “front end” financing is essential to ensure that rental subsidies can be applied to the units being built. It also creates a predictable and stable funding stream for the development of the project.

SB 944, on the other hand, would apply tax credits to the “back end” of development with developers receiving a tax credit when they file their taxes. In addition, the bill would require developers to identify buyers at 120% AMI who would qualify to buy what they have built. This would be inherently risky for a builder’s financing on the front end and at the back end of the project.

In addition, because the bill would cap resale prices for 11 years, a home buyer would not be able to acquire equity. Any “equity” would have to come through increases in the AMI for that region or from what pay down of principal the buyer could manage over the period of ownership.

Workforce housing is a need across all of Oregon. The legislature should look toward the design of a “like” LIHTC program for this category of housing. Reducing Oregon’s revenue by \$5 million makes no sense and it will, more than likely, go unused.