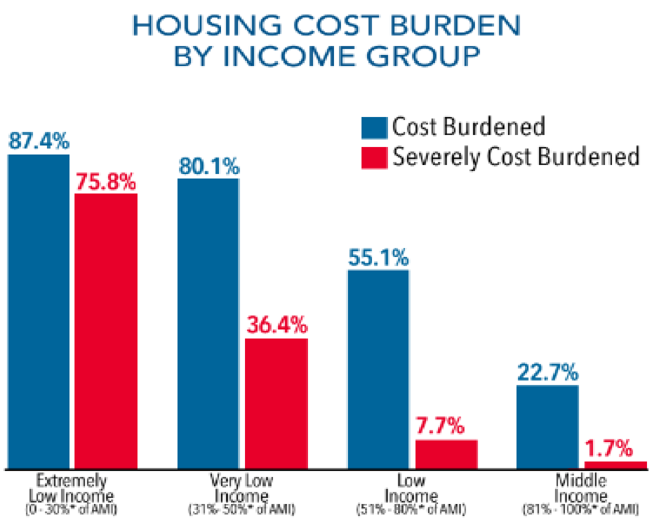
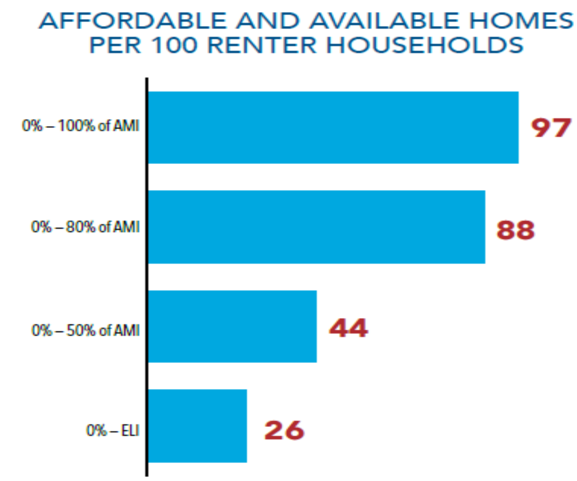
HB3302: The Oregon Low Income Housing Tax Credit (LIHTC)

THE STATE HOUSING CRISIS:

Oregon is the 3rd most expensive state to buy a house. Half of Oregon renters spend more than 30% of their income on rent. For the next 20 years the state will need about 580,000 units to address future growth. This lack of affordable housing translates to a rise in homelessness. As of 2020, there were over 14,000 homeless in Oregon, which can increase if more families cannot afford to pay rent. This housing shortage coupled with rent hikes capped at 14.6% for next year exacerbates the problem.





Source: 2020 5-Year ACS PUMS data.

The graph to the left illustrates how low-income families are severely cost burdened, while the graph to the right stresses the low supply of housing units in the state for this same group. With 70% of Oregonians believing a solution is possible, it is critical to take action on this crisis now.

HB3302 CAN HELP MITIGATE THE HOUSING CRISIS:

The Oregon LIHTC will be a statewide version of the federal LIHTC which:

- Will build on the federal program, which finances 95% of affordable housing in the nation
- Will supplement either the 4% or the 9% federal credit, according to the state's housing needs assessed by the Oregon Housing and Community Services agency (OHCS).
- Can be claimed for 6 years.
- Will follow the federal affordability compliance requirement.
- Can be a fast alternative to start solving this urgent crisis, since it would not face the usual lengthy implementation when navigating new programs due to expertise in administering the federal LIHTC.

HOW HB3302 INCREASES HOUSING SUPPLY FOR LOW-INCOME FAMILIES:

Oregon will follow 22 other states, while becoming the first in the Pacific Northwest with its own LIHTC. The Oregon LIHTC addresses the current housing shortage for low-income families by increasing incentives for developers to scale up production. Besides the current requirements to receive the federal 4% and 9% credit, HB3302 is beneficial because:

- With a state credit, more projects can be funded (more than double!), which means more low-income families will be assisted in the state;
- The tax liability is expected to be around $0.70 - $0.72 (higher than other states doing a 10-year credit), which has been the experience in Colorado and Wisconsin which also have 6-year credits;
- Such liability can even be higher considering that both in-state and out-of-state investors compete for the credits. A competitive market means higher pricing;
- Organizations in Oregon will still have an advantage and the state is the beneficiary of all economic impacts once only those with Oregon tax liability can use the state credits;
- With a strong state LIHTC, more investors and syndicators will be attracted, rebalancing the supply/demand equation so the different state credits will not be competing against each other, but will actually complement each other;
- Provide more economic opportunities by expanding the construction workforce.

FUNDING MECHANISM:

This proposal will be funded with a $100 million allocation cap over the six-year period, that is, about $17 million each year. This lost tax revenue is justifiable due to the economic impact the state already experiences with the federal LIHTC and results from other states. The state will only start losing tax revenue after the projects are completed and the investors claim the credits, which can take 2 years from the time the proposal is implemented. After perceiving the positive impact, the state may reauthorize it for 7 more years. With the Oregon LIHTC, the number of projects funded can more than double, representing a 167% increase in annual funding available for more units.

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