



Support HB2465 & HB2466: Relating to Incentives for Limited-Equity Cooperative Housing

Date: April 6, 2023

To: Joint Committee on Tax Expenditures

Dear Co-Chair Meek, Co-Chair Nathanson, members of the committee,

My name is Andrew Heben, co-founder and project director at SquareOne Villages, a nonprofit that is currently developing permanently affordable, resident-owned housing cooperatives in Lane County.

Despite the success of manufactured dwelling park co-ops, cooperatively-owned *multi-family housing* remains an unfamiliar concept in Oregon and an untapped resource for addressing the state's housing affordability crisis. As a result, they do not currently qualify for several incentives that are available to other affordable housing types serving a similar low-income demographic.

We're hoping to change that; adding another affordable housing option for Oregonians.

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

In a Market Rate Co-op, you can sell your ownership interest at whatever price the market will bear. But in a *Limited Equity Co-op* (LEC), which is what we are here to discuss today, 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 buy-in cost low, and preserves affordability for future members.

In 2019, SquareOne received a grant from Meyer Memorial Trust to research and develop this shared-equity homeownership model. In comparison to rental housing, we found LECs provided significantly greater stability and control to residents through security of tenure, long-term affordability controls, and democratic governance. And while the Community Land Trust model is an effective way for creating greater accessibility to single-family homeownership for low-income households, it still requires each household to qualify for an individual mortgage, which is out of reach for many.

LECs help fill a gap, providing a pathway to resident-owned housing for households that are currently assumed to be relegated to rental housing.

LECs don't require each households to qualify for an individual mortgage. Instead, the co-op holds a blanket mortgage on the property. Each member holds a proprietary lease with the co-op, giving them exclusive rights to a specific dwelling unit. And in turn, each member pays a monthly carrying charge to the co-op to cover all operating costs of the housing, debt service, reserves, etc.

The fact that there is a single mortgage and that members make a monthly housing payment to a single entity is a key point in relation to the two bills that we have proposed, which extends existing incentives for rental housing to LECs serving a similar income demographic.

HB2465: Is intended to allow LECs to qualify for OAHTCs. This would allow the co-op to reduce the interest rate on its mortgage by 4%, a savings that would be directly passed on to residents by reducing their monthly carrying charge.

HB2466: Amends the existing Low-income Rental Housing Property Tax Exemption to also include housing owned by LECs that also serve very low-income households under 60% AMI. Again, the savings to the co-op would be directly passed on to residents by reducing their monthly carrying charge.

The goals of both bills are 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 by offering similar incentives.

In terms of fiscal impact, we do not believe this will increase the existing demand for these incentives. By making existing incentives for rental housing also available to LECs, we believe that more nonprofit rental housing developers may choose the LEC model due to the positive social and economic advantages to the residents.

This would still be the same number of housing projects applying for these incentives, it's just a matter of whether or not the State wants to allow some of those projects to be cooperatively owned by the residents. And the goals adopted by the State do suggest that it wants to "encourage the widest possible range of options or alternatives for both housing purchasers and renters."

Thank you very much for your time and consideration.

Sincerely,

Andrew Heben

Project Director, SquareOne Villages

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