

# Support HB 2071-5 Sections 18-22, The Preservation Tax Credit

**Background:** Over the years, thousands of affordable apartment homes have been built across Oregon under a variety of different government programs. These publicly supported affordable rental homes were built by private owners using resources from the state and federal government. These include tax credits and long-term rental assistance contracts, which help households with low incomes pay their monthly rent. In exchange for these state and federal resources, owners entered into long-term use agreements that guaranteed affordability for periods up to 40 years.

Over the next 10 years, use restrictions on over 7,500 units of affordable housing will end and many properties will become unrestricted, market rate rental housing. Each year we will experience more properties transitioning to market, exposing low-income tenants, including seniors, families and folks living with disabilities, with few housing options as owners are allowed to dramatically increase rents.

**Addressing the Problem:** Oregon needs tools and financial resources to preserve existing affordable housing. **HB 2071-5 (formerly HB 2653)** creates a new tax credit to incentivize owners to sell their property to an affordable housing provider who agrees to preserve its affordability for an additional 30 years. An owner would receive a tax credit that would be used to offset their capital gains after the property has been sold. The credit provides a modest but effective incentive to encourage owners to sell their property to a buyer who will preserve it, rather than converting it to market rate housing.

## Key Points of HB 2071-5 Sections 18-22:

- Creates an effective incentive for private owners of existing affordable housing to sell to a preservation buyer
- Participation is voluntary for all parties
- Provides relief for capital gains taxes due on sale which can become a barrier for long-time owners who simply can't afford to sell their property
- Affordable housing owned by private, for-profit owners have a higher risk of converting to market. This modest incentive may help convince those owners to sell to someone willing to preserve it
- The tax credit will be capped at \$3 million per year
- The preservation developer will apply for the tax credit and use it in their negotiations with the seller
- The preservation developer must agree to an additional 30-years of affordability making this a very cost-effective program
- Maintains affordable housing for low-income tenants, including seniors, families and individuals with disabilities

The **preservation tax credit** will add a new tool to Oregon's preservation toolbox by incentivizing owners to sell their property to someone who agrees to preserve it. Once an expiring property has been acquired and stabilized, the new owner will have the time they need to assemble the financial resources required to fully recapitalize it for decades of continued service to the community. The bill passed out of Committee on a bipartisan vote.

### These organizations endorse the preservation tax credit



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