

Enrolled
House Bill 3589

Sponsored by Representative MARSH, Senator PATTERSON; Representatives ANDERSEN, GAMBA, GOMBERG, HARTMAN, KROPF, LEVY B, LEVY E, NOSSE, Senators NERON, SOLLMAN

CHAPTER

AN ACT

Relating to housing; creating new provisions; and amending ORS 317.097.

Be It Enacted by the People of the State of Oregon:

SECTION 1. Section 2 of this 2025 Act is added to and made a part of ORS 456.515 to 456.725.

SECTION 2. (1) The Housing and Community Services Department shall establish and maintain a senior housing development initiative to incentivize housing targeted to older adults and persons with disabilities, including housing that prioritizes visibility and accessibility, but not including housing for the purpose of providing care. Under the initiative, the department shall:

(a) Make available state and federal resources to support the development, rehabilitation and preservation of housing for older adults and persons with disabilities, and leverage existing moneys to increase development, redevelopment and preservation opportunities.

(b) Provide technical assistance to developers, affordable housing and service providers, planners, stakeholders and local governments to:

(A) Support housing location, design, development and the delivery of home and community-based services for older adults; and

(B) Help ensure housing developments meet the needs of older adults to age well in their homes and communities through housing that enables choice, safety and physical accessibility.

(c) Provide regular public updates and track goals and progress relating to affordable rental housing targeted toward populations of older adults and persons with disabilities. Updates that must be given under this paragraph may be provided through or in coordination with the department's housing equity indicators under ORS 456.602.

(2) The department may contract with a public or private provider for the administration of the initiative.

SECTION 3. Notwithstanding ORS 311.701, the amount of \$24,000,000 is transferred from the Senior Property Tax Deferral Revolving Account to the General Fund for general governmental purposes. The transfer shall be made on the effective date of this 2025 Act.

SECTION 4. In addition to and not in lieu of any other appropriation, there is appropriated to the Housing and Community Services Department, for the biennium beginning July 1, 2025, out of the General Fund:

(1) \$23,500,000 for deposit into the General Housing Account under ORS 458.620, to fund the development, rehabilitation or preservation of housing for older adults and persons with disabilities under the senior housing development initiative in section 2 (1)(a) of this 2025 Act.

(2) \$500,000 to provide technical assistance under the senior housing development initiative in section 2 (1)(b) of this 2025 Act.

SECTION 5. (1) The Department of Revenue shall, before December 31 of each year, estimate the amount required to be maintained in the Senior Property Tax Deferral Revolving Account under ORS 311.701 to fund the obligations for the following year. The department shall assume that the obligations will equal the payments and administrative costs that were made in the highest year over a 10-year look-back period, as adjusted for the current composition of payments and population.

(2) Notwithstanding ORS 305.100 (1), any estimate or rule of the department under this section must be based on certain reasonable conditions with respect to the solvency of the account.

(3) On or before January 31 of the year for which an estimate is made and at least 14 days after providing notice to the Legislative Revenue Officer of the proposed transfer, the department shall transfer the positive difference between the amount in the account on the date of estimation made in subsection (1) of this section and the estimated obligations under subsection (1) of this section, if any, to the Housing and Community Services Department for deposit into the General Housing Account under ORS 458.620 for use by the department to implement the senior housing development initiative under section 2 of this 2025 Act.

SECTION 6. Section 5 of this 2025 Act becomes operative on January 1, 2027.

SECTION 7. Section 5 of this 2025 Act is repealed on July 1, 2031.

SECTION 8. ORS 317.097, as amended by section 25, chapter 75, Oregon Laws 2024, is amended to read:

317.097. (1) As used in this section:

(a) "Annual rate" means the yearly interest rate specified on the note, and not the annual percentage rate, if any, disclosed to the applicant to comply with the federal Truth in Lending Act.

(b) "Bonds" means a bond, as defined in ORS 286A.001, if issued on behalf of the Housing and Community Services Department, or bonds, as defined in ORS 456.055, if issued by a housing authority.

(c) "Finance charge" means the total of all interest, loan fees, interest on any loan fees financed by the lending institution, and other charges related to the cost of obtaining credit.

(d) "Lending institution" means any insured institution, as that term is defined in ORS 706.008, any mortgage banking company that maintains an office in this state or any community development corporation that is organized under the Oregon Nonprofit Corporation Law.

(e) "Limited equity cooperative" means a cooperative corporation formed under ORS chapter 62 whose articles of incorporation, in addition to the other requirements of ORS chapter 62, prohibit members from selling their ownership interests:

(A) To any person other than a low income person; or

(B) For a sales price that exceeds the sum of:

(i) The price the member paid for the ownership interest;

(ii) The cost of any permanent improvements the member made to the housing unit during the member's ownership;

(iii) Any special assessments the member paid to the limited equity cooperative during the member's ownership that were expended to make permanent improvements to the building in which the member's housing unit is located; and

(iv) A return on the amounts described in sub-subparagraphs (i) to (iii) of this subparagraph, computed from the year in which the respective amount was paid, that equals the greater of the result of adjusting each amount by the percentage increase, if any, in the Consumer Price Index for All Urban Consumers, West Region (All Items), as published by the Bureau of Labor Statistics of

the United States Department of Labor, or of increasing each amount by three percent compounded annually.

(f) "Manufactured dwelling park" has the meaning given that term in ORS 446.003.

(g) "Nonprofit corporation" means a corporation that is exempt from income taxes under section 501(c)(3) or (4) of the Internal Revenue Code as amended and in effect on December 31, 2023.

(h) "Preservation project" means housing that was previously developed as affordable housing with a contract for rent assistance from the United States Department of Housing and Urban Development or the United States Department of Agriculture and that is being acquired by a sponsoring entity.

(i) "Qualified assignee" means any investor participating in the secondary market for real estate loans.

(j) "Qualified borrower" means any borrower that is a sponsoring entity that has a controlling interest in the real property that is financed by a qualified loan. A controlling interest includes a controlling interest in the general partner of a limited partnership that owns the real property.

(k) "Qualified loan" means:

(A) A loan that meets the criteria stated in subsection (5) of this section or that is made to refinance a loan that meets the criteria described in subsection (5) of this section; or

(B) The purchase by a lending institution of bonds, the proceeds of which are used to finance or refinance a loan that meets the criteria described in subsection (5) of this section.

(L) "Sponsoring entity" means a nonprofit corporation, nonprofit cooperative, state governmental entity, local unit of government as defined in ORS 466.706, housing authority or any other person, provided that the person has agreed to restrictive covenants imposed by a nonprofit corporation, nonprofit cooperative, state governmental entity, local unit of government or housing authority.

(2) The Department of Revenue shall allow a credit against taxes otherwise due under this chapter for the tax year to a lending institution that makes a qualified loan certified by the Housing and Community Services Department as provided in subsection (7) of this section. The amount of the credit is equal to the difference between:

(a) The amount of finance charge charged by the lending institution during the tax year at an annual rate less than the market rate for a qualified loan that is made before January 1, 2026, that complies with the requirements of this section; and

(b) The amount of finance charge that would have been charged during the tax year by the lending institution for the qualified loan for housing construction, development, acquisition or rehabilitation measured at the annual rate charged by the lending institution for nonsubsidized loans made under like terms and conditions at the time the qualified loan for housing construction, development, acquisition or rehabilitation is made.

(3) The maximum amount of credit for the difference between the amounts described in subsection (2)(a) and (b) of this section may not exceed four percent of the average unpaid balance of the qualified loan during the tax year for which the credit is claimed.

(4) Any tax credit allowed under this section that is not used by the taxpayer in a particular year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any credit remaining unused in the next succeeding tax year may be carried forward and used in the second succeeding tax year, and likewise, any credit not used in that second succeeding tax year may be carried forward and used in the third succeeding tax year, and any credit not used in that third succeeding tax year may be carried forward and used in the fourth succeeding tax year, and any credit not used in that fourth succeeding tax year may be carried forward and used in the fifth succeeding tax year, but may not be carried forward for any tax year thereafter.

(5) To be eligible for the tax credit allowable under this section, a lending institution must make a qualified loan by either purchasing bonds, the proceeds of which are used to finance or refinance a loan that meets the criteria stated in this subsection, or making a loan directly to:

- (a) An individual or individuals who own a dwelling, participate in an owner-occupied community rehabilitation program and are certified by the local government or its designated agent as having an income level when the loan is made of 80 percent of the area median income or less;
- (b) A qualified borrower who:
 - (A) Uses the loan proceeds to finance construction, development, acquisition or rehabilitation of housing, including housing in the form of a limited equity cooperative; and
 - (B) Provides a written certification executed by the Housing and Community Services Department that the:
 - (i) Housing created by the loan is or will be occupied by households earning 80 percent of the area median income or less; and
 - (ii) Full amount of savings from the reduced interest rate provided by the lending institution is or will be passed on, in the form of reduced housing payments, to the tenants or to the holders of proprietary leases in a limited equity cooperative;
- (c) Subject to subsection (14) of this section, a qualified borrower who:
 - (A) Uses the loan proceeds to finance construction, development, acquisition or rehabilitation of housing consisting of a manufactured dwelling park; and
 - (B) Provides a written certification executed by the Housing and Community Services Department that the housing will continue to be operated as a manufactured dwelling park during the period for which the tax credit is allowed;
- (d) A qualified borrower who:
 - (A) Uses the loan proceeds to finance acquisition or rehabilitation of housing consisting of a preservation project; and
 - (B) Provides a written certification executed by the Housing and Community Services Department that the housing preserved by the loan:
 - (i) Is or will be occupied by households earning 80 percent of the area median income or less; and
 - (ii) Is the subject of a rent assistance contract with the United States Department of Housing and Urban Development or the United States Department of Agriculture that will be maintained by the qualified borrower; or
- (e) A qualified borrower who:
 - (A) Uses the loan proceeds to finance construction, development, acquisition or rehabilitation of housing; and
 - (B) Provides a written certification executed by the Housing and Community Services Department or the governmental party to the rent assistance contract that the housing preserved by the loan:
 - (i) Is or will be occupied by households earning 80 percent of the area median income or less; and
 - (ii) Is the subject of a rent assistance contract with the federal government or with a state or local government that will be maintained by the qualified borrower and that limits a tenant's rent to no more than 30 percent of their income.
- (6) A loan made to refinance a loan that meets the criteria stated in subsection (5) of this section must be treated the same as a loan that meets the criteria stated in subsection (5) of this section.
- (7) For a qualified loan to be eligible for the tax credit allowable under this section, the Housing and Community Services Department must execute a written certification for the qualified loan that:
 - (a) States that the qualified loan is within the limitation imposed by subsection (8) of this section; and
 - (b) Specifies the period, as determined by the Housing and Community Services Department, during which the tax credit is allowed for the qualified loan, not to exceed:
 - (A) 30 years, for a qualified loan with a contract for rent assistance or financing resources from the United States Department of Agriculture, for new housing construction, acquisition of housing or a preservation project; or

(B) 20 years, for any other type of qualified loan.

(8) The Housing and Community Services Department may certify qualified loans that are eligible under subsection (5) of this section if the total credits attributable to all qualified loans eligible for credits under this section and then outstanding do not exceed \$35 million for any fiscal year. In making loan certifications under subsection (7) of this section, the Housing and Community Services Department shall attempt to distribute the tax credits statewide, but shall concentrate the tax credits in those areas of the state that are determined by the Oregon Housing Stability Council to have the greatest need for affordable housing.

(9) The tax credit provided for in this section may be taken whether or not:

(a) The financial institution is eligible to take a federal income tax credit under section 42 of the Internal Revenue Code with respect to the project financed by the qualified loan; [or]

(b) The project receives financing from bonds, the interest on which is exempt from federal taxation under section 103 of the Internal Revenue Code[.]; or

(c) **The project receives moneys from the Elderly and Disabled Housing Fund under ORS 456.535.**

(10) For a qualified loan defined in subsection (1)(k)(B) of this section financed through the purchase of bonds, the interest of which is exempt from federal taxation under section 103 of the Internal Revenue Code, the amount of finance charge that would have been charged under subsection (2)(b) of this section is determined by reference to the finance charge that would have been charged if the federally tax exempt bonds had been issued and the tax credit under this section did not apply.

(11) A lending institution may sell a qualified loan for which a certification has been executed to a qualified assignee whether or not the lending institution retains servicing of the qualified loan so long as a designated lending institution maintains records, annually verified by a loan servicer, that establish the amount of tax credit earned by the taxpayer throughout each year of eligibility.

(12) Notwithstanding any other provision of law, a lending institution that is a community development corporation organized under the Oregon Nonprofit Corporation Law may transfer all or part of a tax credit allowed under this section to one or more other lending institutions that are stockholders or members of the community development corporation or that otherwise participate through the community development corporation in the making of one or more qualified loans for which the tax credit under this section is allowed.

(13) The lending institution shall file an annual statement with the Housing and Community Services Department, specifying that it has conformed with all requirements imposed by law to qualify for a tax credit under this section.

(14) Notwithstanding subsection (1)(j) and (L) of this section, a qualified borrower on a loan to finance the construction, development, acquisition or rehabilitation of a manufactured dwelling park under subsection (5)(c) of this section must be:

(a) A nonprofit corporation, manufactured dwelling park nonprofit cooperative, state governmental entity, local unit of government as defined in ORS 466.706 or housing authority; or

(b) A nonprofit corporation or housing authority that has a controlling interest in the real property that is financed by a qualified loan. A controlling interest includes a controlling interest in the general partner of a limited partnership that owns the real property.

(15) The Department of Revenue may require that a lending institution that has earned the credit and a lending institution that intends to claim the credit jointly file a notice, as prescribed by the Department of Revenue. The notice must comply with ORS 315.056 (2) or 315.058 (2).

(16) The Housing and Community Services Department shall provide information to the Department of Revenue about all certifications executed under this section, if required by ORS 315.058.

(17) The Housing and Community Services Department and the Department of Revenue may adopt rules to carry out the provisions of this section.

Passed by House June 23, 2025

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Timothy G. Sekerak, Chief Clerk of House

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Julie Fahey, Speaker of House

Passed by Senate June 25, 2025

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Rob Wagner, President of Senate

Received by Governor:

.....M.,....., 2025

Approved:

.....M.,....., 2025

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Tina Kotek, Governor

Filed in Office of Secretary of State:

.....M.,....., 2025

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Tobias Read, Secretary of State