

In support of HB 3364: Capital Gains Tax Credit for preservation projects

While serving as Chair of the House Committee on Human Services and Housing, preservation of Oregon's publicly supported housing was always one of my highest priorities. We passed important legislation, but we are still at increasing risk of losing a substantial number of affordable rental homes.

Oregon has made great strides to build more affordable housing through the LIFT bonding program over the last few years and have increased lottery bonding for "preservation" of affordable housing, **yet we are still falling far behind the need.**

Preserving our affordable housing stock is not only more cost efficient than building new housing (eliminating the need for zoning, extensive permits, NIMBY concerns, and long design and construction timelines), it also allows residents who have formed community over years to maintain the social cohesion as well as the roof over their heads.

As publicly-supported affordable housing communities reach the end of their affordability periods, they can convert to market rate, putting tenants at risk of losing their longtime homes. Residents of publicly-supported affordable housing communities - seniors, people with disabilities, and families with children - have few options in Oregon's private rental housing market.

We need additional tools and resources to keep these affordable homes for generations to come.

HB 3364 would help keep existing publicly-supported housing affordable by establishing a capital gains tax credit on the sale of multifamily affordable housing to a preservation focused housing provider. It would create a simple and effective tool to keep these homes affordable: a tax incentive that would encourage owners of publicly supported housing to sell their property to a preservation-focused housing provider.

A similar tax exemption has helped encourage owners of manufactured home parks to sell to a new owner who will maintain affordability for residents. The exemption helps draw sellers' attention in a crowded market and make the sale more attractive. We can replicate that success with this capital gains credit, which would provide a measurable competitive edge to preservation-focused housing providers.

Owners of multi-family rentals are often looking to minimize their long-term capital tax gains. HB 3364 offers owners that incentive through sale of the housing to a preservation focused owner/developer. In order for a seller to take advantage of the tax credit, HB 3364 requires the purchaser to agree to a 30-year restricted use period and caps rents at 80% of area median income. To manage the costs, HB 3364 caps the annual tax credit amount at \$3 million.

HB 3364 is good public policy that incentivizes long-term retention of affordable housing. I urge your support.

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