MID reform (HB 2006) – A game-changer for Oregon's housing crisis

The Legislative Revenue Office estimates that HB 2006 would generate about $290 million in the 2017-19 biennium. This new revenue would completely transform the State's ability to increase housing stability and opportunity across the spectrum of need, from homelessness to affordable rental housing to first-time homeownership.

HB 2006 specifies that the revenue from changes to the state's Mortgage Interest Deduction (MID) be transferred to three existing accounts at Oregon Housing and Community Services, as follows: "*(a) Fifty percent to the Home Ownership Assistance Account; (b) Twenty-five percent to the General Housing Account; and (c) Twenty-five percent to the Emergency Housing Account.*"

Here are some examples of how this revenue could be invested.

Homeownership ($145 million)

The Home Ownership Assistance Account invests in homeownership opportunities for Oregonians with low and moderate incomes (up to 80% of median family income), including down payment assistance to eligible homebuyers; homebuyer education classes provided by community-based nonprofits; and development of single-family homes.

Currently, the Home Ownership Assistance Account's sole source of funding is the document recording fee, which in FY 2016 generated $2 million for this purpose. [1]

As just one example, through HB 2006 over 5,000 Oregon households could achieve the lasting stability of homeownership through the following investments:

- $75 million for affordable homes built & sold: 1,500 families become homeowners (including various models such as Habitat, land trust, manufactured homes, etc.)

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[1] In FY 2016, document recording fee revenues generated a total of $14,588,932. Of that total, by statute 14% or $2,042,450 was allocated to the Home Ownership Assistance Account. Due to the low level of funding, the agency currently does not exercise its statutory authority to develop single-family homes for qualified low and moderate income Oregonians.

- $22 million for home repairs: 1,100 low-income homeowners stay safe and stable in their home through critical home repairs, helping preserve housing stock
- $3 million for first-time homebuyer education: the 17 nonprofit Regional Housing Centers each receive $175,000 for education and counseling to prepare households for homeownership and long-term financial stability
- $45 million down payment assistance: 2,250 households get the help they need to become stable homeowners (up to $20,000 for qualified households)

Affordable Rental Housing – Development and Preservation ($72.5 million)

The state's General Housing Account funds multifamily rental housing development, with flexible uses including capital grants and loans for the development of rental housing; preservation of existing affordable housing; development and operation of permanent supportive housing for people experiencing homelessness.

This account also is funded solely by the document recording fee. By statute, the General Housing Account receives 76% of proceeds. In FY 2016, the General Housing Account received $11 million. While the General Housing Account is not the State's only source of funding for affordable rental development, there is considerable uncertainty about Federal funding and tax credit programs under the current administration.

In 2016 there were 1,665 new and/or preserved affordable rental units funded by OHCS, counting all sources including 9% and 4% tax credits, HOME, LIFT, new mental health funds, the General Housing Account, and the Low Income Weatherization Program.

If the MID revenue were the sole source of funding used for development, based on current costs a $72.5 million investment would create about 280 units. However, assuming that the $72.5 million will leverage other resources,[2] we estimate that at least 1,400 new units could be created – giving a significant boost to the State's efforts to increase the supply of affordable rental housing.

Alternatively, some or all of the $72.5 million could be used to help meet the huge need for preservation of existing affordable rental housing – the Housing Alliance's preservation ask for this session is $100 million.

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[2] Leverage assumptions: 9% tax credits cover 65 – 75% of total project costs; debt covers 15 - 30% of total project costs. This will vary from project to project, depending on the cost of land, tax credit pricing and level of affordability.

Homelessness Prevention ($72.5 million)

The Emergency Housing Assistance (EHA) program assists low- or very low-income persons who are homeless or are at risk of becoming homeless, with services such as emergency and transitional shelter, transitional housing, and rapid re-housing assistance. This program receives General Fund support as well as 10% of document recording fee proceeds. In the 2017-19 budget, this program is budgeted at $6,696,832 and the 2017-19 document recording fee amount is $3,089,874, resulting in a 2017-19 EHA total of $9.7 million.

Each $1 million in EHA investment enables us to assist 300 families in need. A $72.5 million investment would help stabilize 21,750 families in need of emergency and transitional shelter, transitional housing, and rapid re-housing assistance. Currently, an estimated 21,300 children in Oregon's schools are experiencing homelessness.

For more information, contact: Ruth Adkins, Oregon Opportunity Network, ruth@oregonon.org or 503-223-4041 x 104.