



April 24, 2015

House Committee on Revenue
Oregon State Capitol
900 Court St. NE
Salem, OR 97301

Re: Testimony in Support of HB 2690-1

Dear Chair Barnhart and Members of the Committee:

The purpose of this letter is to express Habitat for Humanity of Oregon's support of HB 2690 with amendments. In particular, it is my goal to share the reasoning behind the length of time an affiliate may hold a piece of property tax-free as proposed in this legislation.

During the past three years, Habitat for Humanity affiliates in Oregon have built and sold 212 homes, providing first-time affordable homeownership opportunities for hardworking families. They have acquired, rehabilitated and sold an additional 44 homes during that same timeframe. Under HB 2690-1, acquisition rehabs will not qualify for any tax exemption.

Because of the high price of land in Oregon, most Habitat for Humanity affiliates build homes on land they acquire and partition or subdivide in order to serve as many families as possible. In many instances, this process is straightforward and takes 18-24 months from site acquisition through permitting. That is especially the case for a two or three-home development with single-family, detached homes. For a small, rural affiliate building one home every 18 months, it would then take them an additional 4.5 years to build out a three-home site for a total of 6-6.5 years from acquisition to the sale of all homes on the site.

For an urban affiliate, like Habitat for Humanity Portland/Metro East, a typical build site includes 10-45 homes. Construction on these sites most often includes shared wall, two-story townhomes, in a duplex or triplex configuration. When these sites are acquired as bare land, the affiliate has to first perform an environmental review, then submit a water retention plan, plus detailed drawings of features such as surface parking. In most

instances, affiliates also establish a condo association for this type of larger development. Even the landscaping goes through a pre-build approval process monitored by the local jurisdiction. It often takes 36 months to get through permitting. Then, even if the homes are built at the rate of 8-10 homes per year, it may take another 3-4 years to complete the final home sale.

That is why the partners around the table from the Association of Oregon Counties and League of Oregon Cities saw the need for an extended period of tax exemption. In most instances, seven years will provide affiliates with ample time to go from bare land to all homes on a site built and sold to qualified buyers who have contributed "sweat equity" and completed homebuyer education classes.

The \$200, three-year extension is there for "what-if" scenarios—such as the type of economic recession that we experienced in Oregon in 2007. Because Habitat for Humanity relies so heavily on charitable donations to perform our mission, a big downturn in the economy has a huge impact on the speed with which we can perform our mission. This extension is needed because the proposed amendments now contain a significant "claw-back" provision for a non-performing homeownership nonprofit.

Thank you for your careful consideration of this proposed legislation. More families than ever are applying and qualifying for Habitat for Humanity homes across the state. Our goal is to free up the resources needed to serve more families more quickly.

In partnership,



Shannon M. Vilhauer, Executive Director