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Background Brief on …

Housing

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Background

As housing is the largest single component of a family's budget, the tremendous rise in housing prices has presented difficult challenges for Oregonians in recent years. Housing prices in Oregon are more than four times as expensive as they were in 1980. According to the Office of Federal Housing Enterprise Oversight, housing prices in Oregon incurred the fourth highest increase in the nation during 2005, climbing 21 percent in one year alone. The increase in the price of housing in some Oregon communities has been far greater than this statewide average. As incomes have not kept pace, the escalating housing prices throughout Oregon have made it increasingly harder for individuals and families to obtain rental housing or own a home.

Housing Burdens

Policymakers define "cost-burdened" households as those that pay 30 percent or more of their income on housing. Currently, over one-fourth of Oregon homeowners are cost-burdened. Higher home prices have made it harder for Oregonians to save for a down payment or afford the monthly mortgage payments, insurance, energy bills and other costs associated with home ownership. Home ownership in Oregon is low by national standards, ranking 45th of the 50 states.

Between 2000 and 2004, households with severe housing burden, where housing costs consume more than 50 percent of household income, grew to a record high. Most of the increase in severe housing burden fell on the lowest income households.

In Oregon, the percentage of "cost-burdened" renters increased significantly between 2001 and 2004, growing from 37 to 41 percent of renters. The National Low Income Housing Coalition calculated a weighted ranking using median gross rent, the ability of a renter at median renter income to afford a median-priced rental apartment, and the proportion of renters paying more than 50 percent of their income on rent. The coalition ranks Oregon the third most unaffordable rental market among the states.

Statewide impact

High housing costs have affected all Oregon communities. In addition to an undersupply of affordable housing, many communities are facing shortages of workforce housing. This in turn affects employers considering relocating to Oregon and the subsequent economic development of communities.

Impact of housing burden
High housing costs force difficult choices for household and generate measurable hardships for these families. Households with severe housing burdens face greater hardships than families of similar incomes with lower housing costs:

- Low-income and poor families
- Families living in lower-cost neighborhoods
- Racial and ethnic minority families
- Immigrants (particularly non-citizens)
- Large families
- Non-married families
- Families with an adult survey respondent with lower levels of educational attainment
- Younger families (particularly those in which the adult survey respondent is between the ages of 20 to 29)

Special needs populations such as seniors, the physically and/or mentally disabled, victims of domestic violence and farm workers are especially vulnerable to the shortage of affordable housing.

Homelessness

On any given night last year (2006) nearly 11,600 Oregonians were homeless or at risk of being homeless and sought shelter assistance, of which children accounted for 35 percent. Since 1991, the number of individuals turned away at homeless shelters has increased 300 percent. In 2006, the Governor established the Ending Homelessness Advisory Council to coordinate the efforts of state and local agencies in ending homelessness.

Preservation of Housing

Federal programs supporting housing in Oregon are primarily funded through the federal Department of Housing and Urban Development **(HUD**) and the U.S. Department of Agriculture ‘s Rural Development **(RD)** Program, formerly known as the Farmers Home program. Both HUD and RD provides a limited amount of vouchers or project-based assistance to subsidize rent for low-income tenants. A critical issue facing low-income housing advocates across the country is the potential loss of this federal assistance as long-term contracts expire. This situation is commonly referred to as "expiring-use." Efforts to find owners willing to maintain properties at rent levels affordable to low income tenants are generally termed “preservation.” Preserving affordable housing costs roughly one-third of the cost of building new affordable housing.

According to *The State of the Nation's Housing 2003* report, between 1997 and 1999, over 300,000 units of housing affordable to low-income households were lost nationally. The federal government largely discontinued developing new housing projects with rental assistance in the early 1980s. The Center’s 2003 study points out that “While some public funds are available to rehabilitate this stock, they can preserve a small fraction of these low-cost units. Once they are lost, these private-market units will be difficult, if not impossible, for the housing sector to replace.” In addition to the housing itself, the loss of federally supported housing will result in a loss of the federal subsidy to low-income residents, making the impact to communities even more pronounced.

The federal government also provides incentives to states to develop affordable housing through HUD's HOME program, which provides limited grants for housing development with required state matching funds, and through the Low Income Housing Tax Credit **(LIHTC)**. LIHTC awards are generally made to non-profit entities who sell them to obtain needed capital. Both the HOME and tax credit programs are significantly over-subscribed in Oregon.

Oregon Housing and Community Services

Oregon Housing and Community Services **(OHCS)** provides financial and program support to create and preserve opportunities for quality, affordable housing and supportive services for moderate, low, and very-low income Oregonians. The coordination between housing and services creates a continuum of programs that can assist and empower lower-income individuals and families in their efforts to become self-reliant. These efforts also strengthen the workforce and bring other economic and social benefits to communities. OHCS programs provide funding for the homeless, emergency shelters, transitional housing, permanent supportive housing, multi-family rental housing, and homeownership. Through a network of Regional Advisors to the Director **(RADS)**, OHCS works with public and private partners to identify program needs, coordinate OHCS programs, and coordinate efforts with regional Economic Revitalization Teams **(ERT)**. Generally, OHCS funding represents only a small part of the overall cost of housing development projects, the balance coming from federal or private partners.

OHCS Programs

Responsibilities and efforts of OHCS include:

- The Residential Loan Program (Single Family), which provides below-market-rate home loans for first-time homebuyers, is financed through the sale of tax-exempt mortgage revenue bonds
- The Risk Sharing Program (Multi-Family) provides below-market interest rate permanent mortgage loans for developers of multifamily rental housing; OHCS issues tax exempt bonds for this program within its annual allocation of private activity bond cap for the State of Oregon
- OHCS administers the allocation of Oregon Affordable Housing Tax Credits, allowing lenders to reduce the interest rate to affordable housing sponsors (and subsequently renters) by up to four percent
- The Low Income Housing Tax Credit Program provides federal income tax credits to developers who construct, rehabilitate, or acquire low-income rental housing
- The Predevelopment Loan Program provides below-market financing for site acquisition and predevelopment costs; preference is given to projects offering long-term affordability and a special needs service program
- The HOME Investment Partnership Program provides federal funds for the development of affordable housing for low-and very-low income households
- The Emergency Food Assistance Program **(EFAP)** provides U.S. Department of Agriculture **(USDA)** commodities to needy persons, including unemployed, welfare recipients, or low-income
- OHCS supports the Hunger Relief Task Force, the Interagency Coordinating Council on Hunger, and the Ending Homelessness Advisory Council
- The Low Income Energy Assistance Program is a federally funded program designed to help low income households with home heating costs
- The Low Income Weatherization Program provides weatherization and energy conservation services to low-income households
- The Department administers federal Community Services Block Grants

OHCS Budget

The State of Oregon's support of affordable housing has largely come through the allocation of state tax credits. Less than one percent of the 2005-07 OHCS budget came from General Fund or Lottery Funds. Most of the operating budget for the Department comes from federal funds and interest earnings from loans and investments. While the department is not heavily reliant on state funding, housing programs are vulnerable to decreases in federal funding or fluctuations in housing financial markets.

The Oregon Housing Trust Fund

The Housing Development Account ("Trust Fund") was created by the 1991 Legislature to expand the state's supply of housing for low and very low-income families and individuals by providing funds to construct new housing or to acquire and/or rehabilitate existing structures. Between 1994 and 2003, the Trust Fund provided for over 350 housing projects and created over 8,870 affordable housing units for approximately 14,900 low and very low-income Oregonians. The building program of the Trust Fund has provided more than $32 million for affordable housing development, leveraging an additional $698 million investment from private lenders and other state, local, and federal government sources. In

2004 and 2005, the Trust Fund provided over $5.2 million in affordable housing funding, creating 2,197 units, and leveraging over $211 million in additional investments.

In recent years, the General Fund and Lottery Funds that once flowed into the Trust Fund have been eliminated. The Trust Fund is now funded through dedicated public purpose charges. These charges, however, are scheduled to sunset in 2009, leaving the Trust Fund without a revenue source.

Manufactured Housing

The Manufactured Housing Institute **(MHI)** defines a manufactured home as "a single-family house constructed entirely in a controlled factory environment, built to the Federal Manufactured Home Construction and Safety Standards (also known as HUD Code)."

Owners may locate manufactured homes on land they own, land they lease, or in "parks" where the land is owned by a separate entity and the tenant pays rent for the use of the space. Most manufactured homes are taxed as personal property, but a manufactured homeowner that owns the land where the structure is placed has the option of having the structure listed as real property, in which case the structure is taxed as real property rather than personal property.

Currently, Oregon counties list approximately 140,000 manufactured structures on their tax rolls. OHCS has documented approximately 1,350 manufactured dwelling parks, encompassing over 65,000 spaces. OHCS field representatives provide direct and indirect services to landlords and tenants, including training and technical assistance. In 2005-06 the program served almost 6,000 people including requests for assistance and information, mediation, and park facilitation. With increases in property values, many of these manufactured dwelling parks are at risk of being converted to alternative uses. As with other affordable housing, preservation of manufactured parks is a cheaper way of maintaining affordable housing than the development of new affordable housing.

The 2005 Legislature provided assistance to residents affected by manufactured dwelling park closures. Impacted residents with incomes within specified guidelines are entitled to reimbursement of relocation expenses. The reimbursement comes to the residents through a state tax credit. The legislation also provided a waiver of capital gains taxes for manufactured park owners who elect to sell their park to a resident-owned association.

Housing Outlook

Federal and state funding for affordable housing has remained relatively constant in recent years. With flat revenue and increasing housing costs, especially increasing costs of land acquisition, housing purchasing power has been diminishing. This has limited the number of affordable housing developments that have been built, as well as the number of households that are assisted in other ways along the housing continuum. The supply of affordable housing continues to grow at a slower rate than the number of households that are "cost-burdened".

The supply of affordable housing is further threatened by the large number of housing projects that may revert to alternative use in the near future. OHCS has estimated 81 Section 8 affordable housing projects are at risk of being lost in the 2007-09 biennium alone. In addition, the supply of affordable housing will be further diminished as manufactured dwelling parks close throughout the state. While there have been many efforts to leverage resources with private and non-profit partners, the combined efforts of affordable housing sponsors has been unable to keep up with population growth, let alone address the backlog of unmet needs.

Qualified households may wait years on waiting lists before receiving assistance in some communities. These waiting lists are growing.

The challenges may become greater if affordable housing projects lose the 'up front' development funds currently available through the Housing Trust Fund. The flexibility of these funds currently makes more projects feasible; however, the Housing Trust Fund is currently tied to public purpose dollars that are scheduled to sunset in 2009.

Partnerships

Housing issues will continue to be addressed through a network of private and public agencies. These agencies include OHCS, cities and counties, housing authorities, community development organizations, private for-profit developers, non-profit organizations, faith-based organizations, federal agencies, and volunteer groups.

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