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Background Brief on ...

Housing

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As housing is the largest single component of a family's budget, the rise in housing prices has presented difficult challenges for Oregonians in recent years. Housing prices in Oregon are almost five times as expensive as they were in 1980. According to the Office of Federal Housing Enterprise Oversight, housing prices in Oregon incurred the eighth highest increase in the nation over the last 5 years, climbing 67 percent. The increase in the price of housing in some Oregon communities has been far greater than the statewide average; Oregon per capita income increased less than half as much over the same period. As incomes have not kept pace, the increasing housing prices throughout Oregon have made it harder for individuals and families to obtain rental housing or own a home. Since 2000, housing prices and Oregon's population have also risen faster than housing program funding by the state or by the federal government. As a result, existing housing programs have been able to serve fewer Oregonians creating more unmet housing needs throughout the state.

Housing Burdens

Policy makers define "cost-burdened" households as those that pay 30 percent or more of their income on housing. According to the 2006 American Community Survey, over 31 percent of Oregon homeowners are cost-burdened. Over 47 percent of renters are cost-burdened. Higher home prices and apartment rents have made it harder for Oregonians to afford the monthly mortgage and rent payments, insurance, energy bills and other costs associated with housing.

The percentage of Oregonians who are housing cost-burdened has been rising steadily since 2000. This is particularly troubling for low-income Oregonians and Oregonians on fixed incomes. In 2006, over 23 percent of renters were spending 50 percent or more of their incomes on housing. The number of homeless Oregonians has also grown steadily since 2000.

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. In turn, this affects employers considering relocating to Oregon and the subsequent economic development of communities.

Groups with high housing burdens - Some of the groups that have experienced the greatest housing burdens include:

- 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)

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

Homelessness

According to the One Night Shelter Count, over 13,000 Oregonians were homeless and seeking assistance in 2007. Children accounted for 35 percent of the homeless. Since 2002, the number of individuals turned away at homeless shelters has increased over 270 percent. In 2006, the Governor established the Ending Homelessness Advisory Council to coordinate the efforts of state and local agencies in ending homelessness. Currently, the state and various counties are developing plans to end homelessness that follow successful models from other states.

Preservation of Housing

Federal programs that support 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 provide a limited amount of vouchers or project-based assistance to subsidize rent for low-income tenants.

Project-based assistance contracts help hundreds of projects throughout the state that provide housing for some of the lowest income households in Oregon. Many of these projects were created on 20 year contracts that are beginning to expire. In 2007, the Legislative Assembly allocated Oregon Affordable Housing

Tax Credits (**OAHTC**) that enable contracts to be preserved on over 1,600 affordable units. In 2008, the Legislative Assembly allocated additional OAHTC to help preserve over 1,800 units at risk.

Even with these additional resources, an estimated 2,700 units of affordable housing units remain at risk with federal rent subsidy contracts expiring between 2009 and 2013. State and local housing advocates are trying to find additional resources that will enable the acquisition and rehabilitation of these units to preserve the affordable housing and the accompanying federal subsidy.

Additionally, the federal government provides incentives to states to develop affordable housing through HUD's HOME Investment Partnerships Program (**HOME**) program, that provides limited grants for housing development and require states matching funds, and through the Low Income Housing Tax Credit (**LIHTC**). Generally, LIHTC awards are made to nonprofit 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

Department (**RADS**), OHCS works with public and private partners to identify program needs, coordinate OHCS programs, and coordinate efforts with regional Economic Revitalization Teams (**ERT**).

OHCS Programs

OHCS responsibilities and efforts include:

- The Residential Loan Program (Single Family) that provides below-market-rate home loans for first-time homebuyers and 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
- The allocation of OAHTC, allowing lenders to reduce the interest rate to affordable housing sponsors (and subsequently renters) by up to four percent
- The LIHTC 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 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 Council on Hunger and Homelessness, 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 primary source of Oregon's support of affordable housing is through the allocation of state tax credits. The majority of OHCS's operating budget comes from federal funds and interest earnings from loans and investments. While OHCS has not been heavily reliant on state funding, housing programs are vulnerable to decreases in federal funding or fluctuations in housing financial markets. Market fluctuations and diminished federal funding may lead to an increased need for the state to consider allocating resources to provide additional support OHCS programs and operations in the future.

Oregon Housing Trust Fund

The Housing Development and Guarantee Account ("Housing 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 1991 and 2007, the trust fund provided for over 651 housing projects and created over 14,448 affordable housing units for low and very low income Oregonians. The building program of the trust fund has provided more than \$52 million for affordable housing development, leveraging over \$1.2 billion in investment from private lenders and other state, local, and federal government sources. During the 2005-2007 biennium, the trust fund provided over \$4.4 million in affordable housing funding, creating 1,456 units, and leveraging over \$195 million in additional investments.

The trust fund is funded through dedicated public purpose charges. These charges are scheduled to sunset in 2026.

Manufactured Housing

Manufactured dwelling parks constitute an important source of affordable housing in Oregon. 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. Currently, 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.

Currently, Oregon has approximately 1,300 manufactured dwelling parks, encompassing over 65,000 spaces. OHCS provides direct and indirect services to landlords and tenants, including training and technical assistance. In 2005-2006 the program served almost 6,000 people including requests for assistance and information, mediation, and park facilitation. With increases in property values, many manufactured dwelling parks are at risk of being converted to alternative uses.

During the 2005 and 2007 Legislative Sessions, the Legislative Assembly provided some assistance to residents affected by manufactured dwelling park closures by providing reimbursement of relocation expenses to tenants. Owners are required to pay residents for relocation expenses and residents may also recover relocation expenses through a state tax credit. In many cases, the owner’s payments do not cover all of the associated relocation costs for residents.

The Legislative Assembly also provided a waiver of capital gains taxes for manufactured park owners who elect to sell their park to a resident-owned association. These legislative actions have

provided some relief to impacted residents.

Housing Outlook

Federal and state funding for affordable housing has remained relatively constant in recent years. With flat revenue and increasing housing costs, housing purchasing power has been diminishing. This has limited the number of affordable housing developments that have been built and 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. The 2,700 Section 8 and Rural Development affordable housing projects are at risk of being lost between 2009 and 2013. The disruption of this housing for thousands of low income and special need households will result in higher housing burdens.

In addition, Oregon’s supply of affordable housing may be further diminished as manufactured dwelling parks throughout the state may close if additional resources are not allocated. While many efforts have been made to leverage resources, the combined efforts of affordable housing sponsors have been unable to keep up with population growth and the increased cost of land and housing construction.

The Housing Trust Fund, the OAHTC, federal tax credits and the LIHTC, and other housing funding continue to face challenges in the effort to provide and maintain affordable housing for Oregonians.

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