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Legislative Committee Services
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Background Brief on …

Housing & Community Services

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. Several Oregon communities saw dramatic increases in the price of housing in the past decade, followed by a dramatic decline driven by the great recession. In every county, housing values have declined. In some areas of the state, values have decreased by 40 percent or more. Many homeowners have experienced a tremendous loss of equity and many now owe more on their homes than they are worth. At the same time, unemployment has reached record levels and Oregon had the sixth highest unemployment in 2009. People experiencing unemployment, homeowners and renters, struggle to pay their housing expenses.

Development of affordable multi-family housing has also suffered in this economy. The demand for affordable housing has increased, but traditional sources of funding have disappeared. The federal American Recovery and Reinvestment Act **(ARRA)** has invested resources to stimulate affordable housing development.

Since 2000, the cost of housing and Oregon's low-income population has risen faster than housing program funding by the state or by the federal government. As a result, existing housing programs serve a shrinking percentage of Oregonians and more unmet housing needs exist 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.

The percentage of Oregonians who are housing cost-burdened has been rising steadily since 2000. In 2007, 32 percent of renters considered low-income (people earning 80 percent of median household income or less) spent 50 percent or more of their income on housing.

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; and
- 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, people with disabilities, victims of domestic violence, and farm workers are vulnerable to the affordable housing shortage.

Homelessness

The number of homeless Oregonians has grown steadily since 2000. During the 2010 One Night Homeless Count, community organizations counted more than 19,000 Oregonians experiencing homelessness. Children accounted for 31 percent of the people counted, 801 of whom were homeless for more than a year. 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 models from other states.

Preservation of Housing

For more than 30 years, Oregon has relied on federal rent subsidy contracts to provide housing for its most needy households. The Section 8 "project based" program currently provides housing and rent subsidies for more than 30,000 Oregonians. These projects have ensured that many of very lowest income Oregonians (30 percent area median income or less) have had a place to live, guaranteed by Federal Department of Housing and Urban Development.

The Department projects that 3,200 units of affordable housing may expire in the 2011-2013 biennium. Oregon Housing and Community Services **(OHCS)** and its affordable housing partners have been working with existing and new owners to renew federal contracts, rehabilitate units, and ensure the housing is affordable for the next 30 years.

It is cheaper to preserve affordable housing units and their existing federal rental subsidy than it is to replace the units and provide an equivalent rent subsidy. Preservation milestones include:

- The 2007 Legislature approved a $2 million increase in the Oregon Affordable Housing Tax Credit **(OAHTC)** annual limit; provided another $8.1 million for gap financing ($2.6 million from General Fund and $5.5 million from redirecting existing department Community Incentive Fund and interest resources.).
- To help address the wave of "at risk" preservation projects in 2008, the Legislature raised the OAHTC annual limit to $17 million in February 2008. OHCS committed all of the increase to affordable housing preservation.
- In 2008, a $1 million appropriation helped establish the Oregon Housing Acquisition

Fund. The Fund was established with more than $7 million in low-interest loan and grant funds provided by OHCS and three Oregon foundations: Meyer Memorial Trust, The Collins Foundation and The Oregon Community Foundation. The Fund provides short-term financing for preservation projects while long-term financing is being secured.

- Oregon received $5 million from the MacArthur Foundation's $150 million Window of Opportunity Initiative to preserve thousands of affordable rental housing units for people of modest means. A significant portion of the award capitalized the Network for Oregon Affordable Housing's Oregon Housing Acquisition Fund. The Fund was established in 2008 with more than $7 million in low-interest-loan and grant funds provided by OHCS and three Oregon foundations: Meyer Memorial Trust, The Collins Foundation and The Oregon Community Foundation.
- By the end of the 2011 biennium, OHCS projects that it will have preserved approximately 2,000 federally subsidized housing units, which will ensure approximately $119.3 million in federal rental subsidies remain in the state over the life of the projects.

Foreclosures

In February 2010, Oregon's foreclosure rate stood at 10.5 percent, compared to 9.7 percent nationally. More than 18,000 mortgages were at some point in the foreclosure process at the end of 2009. In addition, unemployment – a predictor of foreclosure – exceeded 12 percent in 16 Oregon counties in 2009. Those counties were: Columbia, Coos, Crook, Curry, Deschutes, Douglas, Grant, Harney, Jackson, Jefferson, Josephine, Klamath, Lake, Lane, Linn, and Wallowa.

Oregon has sought and deployed resources to support foreclosure mitigation counselors in cooperation with the Department of Consumer and Business Services and the Department of Justice.

In April 2010, the Obama administration allocated up to $88 million in Trouble Asset Relief Program resources to the state to stem the tide of foreclosures and prevent further erosion in home values. OHCS must submit a program proposal for the Oregon Homeownership Stabilization Program by June 1, 2010, and expects to begin program operations in late 2010. Ongoing and structural unemployment will drive demand for foreclosure prevention resources for many years.
www.oregonhomeownerhelp.org

Energy Policy

Low-income Oregonians spend as much as 44 percent of their household budgets on utilities and one-third of Oregon households are eligible for low-income energy assistance. However, development and implementation of large-scale energy efficiency initiatives often leaves this same population behind.

Through low-income weatherization and energy assistance programs, as well as preservation of affordable housing and multi-family development efforts, OHCS has worked with community partners to mitigate these critical energy gaps for the past 20 years. ARRA has elevated public recognition of energy efficiency and created new jobs in the energy, but provides only a short-term spending boost.

Oregon Housing and Community Services Department

Oregon Housing and Community Services Department **(OHCS)** is the state's affordable housing finance agency and community services program administrator. OHCS provides financial and program support to create and preserve quality, affordable housing for Oregonians of lower and moderate income. The Department administers federal and state programs that support antipoverty, homeless, energy assistance, and community services programs. Its mission: "Provide leadership that enables Oregonians to gain housing, become self-sufficient, and achieve prosperity."

OHCS biennial budget is more than $2 billion, most of which is non-limited and relates primarily to debt issuance, loan purchase activities, and federal rent subsidy assistance.

The budget includes approximately $394.0 million in limited special payment authority and $34.7 million for Department operating costs. OHCS can issue $100 million in General Obligation Bonds, $600 million in direct revenue bonds, and $250 million in pass-through revenue bonds. The combined statutory and constitutional limit on outstanding debt for the department is $5 billion. The Department also receives $10.3 million in General Funds for the operations of the Emergency Housing Assistance program (for people experiencing homelessness), the State Homeless Assistance Program and the General Fund Food Program.

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; and
- 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 reliant on state funding, housing programs are vulnerable to decreases in federal funding or fluctuations in housing financial markets. Market fluctuations and diminishing 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.

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 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.

Although the current market pressure to convert parks has vanished, Oregon is launching a $3.1 million manufactured dwelling park preservation program funded by lottery-backed bonds (Senate Bill 5535, 2009). Additionally, the Legislative Assembly provided a waiver of capital gains taxes for manufactured park owners who elect to sell their park to a resident-owned association.

Housing Outlook

The great recession has changed Oregon's affordable housing landscape. For its single-family homeownership program, OHCS cannot issue bonds that generate a mortgage rate that can compete with the private market. Housing bonds have typically had higher interest rates than other municipal debt. In addition, actions taken by the Federal Reserve likely suppressed market mortgage rates. Oregon is not alone: across the nation, housing finance agencies have taken losses or used other resource to create funds for down payment assistance or other incentives that allowed them to continue their first-time homebuyer programs.

Similar barriers affect the multi-family market. Over the last several years, tremendous changes in the lender and investor markets have significantly altered the environment in which multifamily affordable housing developers operate.

Together with its partners, OHCS will work to:

- Build a shared analysis of the multifamily housing needs in Oregon based on the best data and information available.
- Create a shared analysis of the changing environment.
- Develop a state policy on the required affordability periods for publicly funded multi-family housing.
- Create strategies to preserve the state's affordable housing development infrastructure, particularly organizations that serve Oregon's most vulnerable populations

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