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Background Brief on ...

# Housing Services

The ability to access stable housing is the single most important element of success for helping Oregonians who are experiencing poverty to move to economic stability and prosperity. Housing is the largest single component of a family's budget, and the collapse of the housing market in 2008 resulted in difficult challenges for many Oregonians. Today, as the housing market improves, rent and home prices are increasing and outpacing wages. Oregonians across the state, at a range of income levels, need a safe, stable, and affordable place to call home. Renters and homeowners, particularly those experiencing un- and under-employment, often struggle to pay their housing expenses. The recent rebound of housing prices has left homeowners and renters struggling to find affordable housing, and in many communities across the state, extremely low vacancy rates are contributing to the problem.

Since 2000, the cost of housing has outpaced wages for Oregonians across the state. Federal housing program funding has been drastically reduced since the 1970's, and today, federal rent assistance nationally helps one out of four eligible people. As a result, existing housing programs serve a shrinking percentage of Oregonians and more unmet housing needs exist throughout the state.

## Housing Affordability

According to the 2012 American Community Survey, nearly one in three Oregon homeowner households (30.4 percent or 283,970) and one in every two renter households (50 percent, or 291,511) are "cost-burdened." This means that these households pay more than 30 percent of their income for housing.

Nearly one in three renters (27.1 percent) and one in eight homeowners (12.1 percent) pay more than half their income for rent or mortgage.

## Homelessness

The number of Oregonians experiencing homelessness is significant. During the 2013 Point In Time Homeless Count, community organizations counted more than 13,000 Oregonians experiencing homelessness. Oregon Department of Education also reports that in the 2012-13 school year, more than 18,000 school children experienced homelessness at least once during the year, significantly and negatively impacting their ability to meet benchmarks and learn effectively.

The recent recession has had a negative effect on Oregonians' ability to remain stable in housing. Today, rent costs are rising and vacancy rates are falling, and more Oregonians are having difficulty finding safe and affordable housing.

Programs to prevent or end homelessness are typically administered at the local level. Funding from the state goes to community action agencies to provide assistance with rent, deposits, application fees, case management, and more. Local services include crisis intervention, emergency shelters, transitional housing, permanent housing, case management, and homelessness prevention programs.

## Preservation of Housing

For more than 30 years, Oregon has relied on housing built with federal rent subsidy contracts to provide housing for seniors, people with disabilities, and families just starting out. 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 the Oregonians with very low incomes have had a place to live, guaranteed by the U.S. Department of Housing and Urban Development.

Nearly 7,500 of these rental subsidies were initially placed in buildings with thirty-year contracts, while the remaining subsidies are operated by Housing Authorities across the state.

Over the past six years, the contracts based in buildings have expired and need to be renewed by owners to maintain the housing as affordable.

An estimated 2,000 units of affordable housing may expire in the 2015-2017 biennium, putting the Oregonians who live there at risk of losing their homes. 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. To date, nearly 80 percent of the contracts have been renewed and the housing has remained affordable.

In 2013, housing discrimination based on the use of local, state, or federal rental subsidy or other housing assistance was prohibited. On July 1, 2014, OHCS began administering a Landlord Guarantee Fund. In the event that a tenant with a Section 8 voucher and without assets damages a unit beyond normal wear and tear, the fund can help landlords to repair the unit. Additionally, in 2013, the county clerk property filing and recording fees were raised from fifteen dollars to twenty dollars to assist veterans with their housing needs. These funds began being used on July 1, 2014.

## Foreclosure

The collapse of the housing market sent foreclosures soaring to historic levels. Since 2008 when the housing crisis began in earnest, more than 55,000 foreclosures occurred in Oregon. The peak in Oregon appears to have occurred in October 2011 when more than 1,700 foreclosures were filed. Since 2013, an average of 300 judicial foreclosures have been filed each month. Since 2012, judicial foreclosures have become more prevalent as a result of a Supreme Court case and recent changes in the law.

Between 2008 and 2012, falling home prices eroded Oregonians' home equity wealth by 40 percent, which equates to \$9.2 billion. Today, one out of every 14 Oregonian homeowners (7.1 percent) is underwater, meaning they owe more than their house is worth, which limits their ability to sell or refinance the home, and potentially puts them at risk for foreclosure.

The legislature established a foreclosure mediation program in 2012 (Senate Bill 1552),

which was modified and expanded to include judicial foreclosures in 2013 (Senate Bill 558). The revised program, which became operative in July 2013, offers an opportunity for homeowners to meet with their lender in the presence of a mediator to discuss possible foreclosure avoidance measures. Prior to mediation, the homeowner is required to consult with a housing counselor. The homeowner and lender share in the cost of the mediation. Low and moderate income homeowners also have access to legal assistance.

<http://www.foreclosuremediationor.org/>

Since 2011, the state has received approximately \$1 million in federal funding and \$4 million in state funding to provide foreclosure counseling to over 5,600 homeowners struggling with foreclosure issues. OHCS partners with foreclosure counseling agencies to deliver services statewide. This counseling is required prior to entering mediation with the lender. The Agency intends to apply again when a new round of federal funding becomes available so that foreclosure counseling services can continue.

In 2010, Oregon received \$220 million from the federal Troubled Asset Relief Program (TARP) to address the foreclosure crisis and prevent further erosion in home values. These funds are administered by the Oregon Homeownership Stabilization Initiative (OHSI), a division within OHCS. OHSI has created a range of programs to help Oregonians remain in their homes. From 2011 until 2014, OHSI operated a mortgage payment assistance program that helped un- and under-employed homeowners throughout Oregon make their mortgage payments and pay off past due interest and fees. OHSI also has programs to help homeowners who are underwater to remain in their homes and reduce their risk of losing the home. To date, OHSI has helped nearly 10,000 homeowners in all thirty-six counties in Oregon. Federal funds are required to be spent down prior to 2017, although funding is likely to be exhausted in 2015. <http://www.oregonhomeownerhelp.org/>

The state has also received approximately \$30 million from various federal stimulus programs to help stabilize neighborhoods affected by foreclosures and the economic downturn under the Neighborhood Stabilization Program (NSP). The funds are used to acquire and redevelop foreclosed and abandoned properties in specific targeted areas. Once improved, the properties are returned to use as affordable homeownership or rental housing units. The NSP program serves very low income households as well as households with up to 120 percent of area median income. In the third and final allocation of NSP resources of \$5 million, 47 homeowners were assisted.

Methamphetamine contamination has also been a concern in foreclosed homes, as the homes cannot be inspected by either the banks or the future home owner before the sale. In 2014, House Bill 4065 passed requiring notices of trustee's sale of residential homes to include a statement on the possibility of methamphetamine manufacturing at a home.

## **Oregon Housing and Community Services**

Oregon Housing and Community Services (OHCS) is Oregon's housing finance agency, providing financial and program support to create and preserve opportunities for quality, affordable housing for Oregonians with low and moderate incomes.

The agency was created in 1991, when the legislature merged the Oregon Housing Agency with State Community Services. The agency provides stable and affordable housing and engages leaders to develop integrated statewide policy that addresses poverty and provides opportunity for Oregonians. The agency has a continuum of programs and services which all relate to housing stability from assistance to prevent or end homelessness, energy assistance to stabilize people in their homes, development of affordable rental housing, and support for homeownership programs.

The OHCS's biennial budget is more than \$1.3 billion, most of which is non-limited and relates

primarily to debt issuance, loan purchase activities, and federal rent subsidy assistance. The majority of OHCS's operating budget comes from federal funds and interest earnings from loans and investments. OHCS has not been heavily reliant on state General Fund dollars; safety net programs such as homeless assistance dollars are funded through the General Fund. Other housing assistance programs operated through OHCS are vulnerable to decreases in federal funding or fluctuations in housing financial markets. Market fluctuations and diminishing federal funding may lead to an increased pressure on state resources.

### **Affordable Rental Housing**

To address the large number of cost-burdened households in Oregon, OHCS administers an array of affordable rental housing loan, grant and tax credit programs. The funding is awarded to selected projects through the Agency's loan and grant programs in conjunction with tax credits, which provide an incentive for the construction and rehabilitation of rental housing.

The loan programs primarily use tax-exempt financing or revolving loan funds to create rental housing for Oregonians at up to 80 percent of area median income, although the majority resources are directed towards Oregonians at 60 percent or less of area median income. State and federal funding is used to make grants that are awarded competitively, on an annual basis. These programs assist Oregonians with low and very low incomes.

### **Rental Assistance**

OHCS administers programs that subsidize or guarantee rental payments for Oregonians with low incomes to help them remain in stable housing. Households may also receive case management services to support their progress toward economic stability.

OHCS administers two General Fund programs – the Emergency Housing Account and the State Homeless Assistance Program to provide rental assistance. These funds can be used for emergency rent assistance, deposits, application fees, emergency weather shelters, domestic

violence shelters, case management, and more. They provide help to prevent or end homelessness for Oregonians all over the state.

### **Homeownership Programs**

The OHCS administers a variety of programs to assist first-time homebuyers. Through a residential loan program, first-time homebuyers are able to receive below-market-interest-rate loans. There is also a program that assists individuals and families in finding housing services, purchasing a home, receiving foreclosure assistance information, as well as other assistance to keep their homes stable and healthy.

### **Energy Assistance and Weatherization**

In partnership with local Community Action Agencies, OHCS has administered the low-income weatherization and energy assistance programs since 1991. These programs provide assistance with heating and electrical payments, and provide weatherization services to make homes more energy efficient.

According to the most recent 2012 American Community Survey, nearly one in three households in Oregon (436,520) qualifies for energy assistance. Of those eligible households, only one in five receive assistance at current funding levels.

In 2011, the Legislative Assembly empowered the Public Utility Commission (PUC) to direct the electric utilities they oversee to collect for no more than two years an additional \$5 million to supplement low-income electrical bill payment assistance. In 2013, this amount was increased and the sunset date was pushed to January 2, 2016.

### **Manufactured Housing**

Manufactured housing constitutes an important source of affordable housing in Oregon. Owners may locate manufactured homes on land they own, land they lease, or in manufactured dwelling communities, or parks where the land is owned by a separate entity and the tenant rents the space. Oregon has approximately 1,100

manufactured dwelling parks, which includes over 62,800 spaces.

The Manufactured Communities Resource Center at OHCS helps park owners and residents resolve concerns through informal dispute resolution. The Center also provides mediation, information, referrals, and technical assistance related to manufactured home parks.

While some market pressure to convert parks to other uses during the recession diminished, preserving this critical source of affordable housing remains a pressing issue. In 2009, the Legislative Assembly authorized \$3.1 million in lottery revenue bonds to be used to assist in the financing of manufactured dwelling parks when they were to be purchased and preserved by a resident cooperative, a non-profit, or a housing authority.

As of the 2014 legislative session, manufactured dwelling park owners are required to give written notice to park tenants and OHCS of their interest in selling the park prior to marketing it or considering offers. Tenants have ten days to respond in writing if they are interested in competing to purchase the park. Tenant-owned cooperatives or purchase by a non-profit or housing authority is a strategy to preserve the park as a source of affordable housing.

### **Inclusionary Zoning**

Inclusionary zoning is a land use practice that incentivizes or mandates building affordable housing along with market rate housing in new developments. In Oregon, mandatory inclusionary zoning is preempted but cities can employ it on a voluntary basis by incentivizing builders with benefits like relaxed parking, unit size, or Green Building requirements if they include affordable housing in their developments.

### **Housing Finance Outlook**

The recent economic recession and the state of financial markets have had a negative impact on OHCS's ability to issue tax-exempt bonds and finance affordable single- and multi-family housing projects.

In recent years, it has been difficult for OHCS to issue bonds for the single-family homeownership program that result in mortgage interest rates significantly lower than rates otherwise available to borrowers in the private market. Generally, housing revenue bonds typically have higher interest rates than other types of municipal debt, primarily because of bond structures and redemption provisions unique to this type of public finance.

Oregon is not alone; across the nation, other state housing finance agencies have experienced decreased activity in bond-financed loan programs. These state housing finance agencies have used other resources and incentives that have allowed them to continue their first-time homebuyer programs; they have also implemented other financing models, some of which don't involve the issuance of housing revenue bonds.

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

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