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# Housing Services

As housing is the largest single component of a family's budget, the collapse of the housing market in 2008 has resulted in difficult challenges for many Oregonians. Oregon saw dramatic housing price increases in the mid-2000s, followed by a steep decline driven by the Great Recession. In every county, housing values declined. In some areas of the state, values decreased by 40 percent or more. It is estimated that there are 120,000 Oregon homeowners underwater, meaning they owe more than their home is worth. At the same time, unemployment reached record levels, hitting 11.6% at one point in 2009. The rate has slowly and steadily declined to the current rate of 8.5 percent. Renters and homeowners, particularly those experiencing unemployment, often struggle to pay their housing expenses.

Since 2000, the cost of housing and Oregon's low-income population outpaced state and federal housing program funding. 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 2010 American Community Survey, more than 34 percent of all Oregon homeowner households (321,696) and more than 54 percent of all renting households (288,862) are "cost-burdened." This means that these households pay 30 percent or more of their income for housing.

The percentage of Oregonians who are housing cost-burdened has been rising steadily since 2000. Between 2007 and 2010, there was a 16 percent increase in the number of cost-burdened households.

## Homelessness

The number of homeless Oregonians has grown steadily since 2000. During the 2011 One Night Homeless Count, community organizations counted more than 22,000 Oregonians experiencing homelessness; this was a 29 percent increase from the 2009 count. Children accounted for 30 percent of those counted as homeless.

In 2008, Oregon's Ending Homelessness Advisory Council released a 10-year plan to end homelessness just as unemployment began to rapidly increase and the housing crisis accelerated.

Homeless assistance programs are typically administered at the local level with funding the state provides to community action agencies (CAAs). 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 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 the very lowest income Oregonians have had a place to live, guaranteed by the Federal Department of Housing and Urban Development.

An estimated 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.

## Foreclosure

The collapse of the housing market has sent foreclosures soaring to historic levels. Since 2008 when the housing crisis began in earnest, more than 54,000 foreclosures occurred in Oregon. The peak in Oregon appears to have

occurred in October 2011 when more than 3,600 non-judicial foreclosures were filed. There has been a fairly steady decline during the first half of 2012, with about 1,700 foreclosure filings each month. However, judicial foreclosures may become more prevalent, as uncertainty with the non-judicial foreclosure process in Oregon has yet to be resolved in court.

Since 2008, falling home prices eroded Oregonians' home equity wealth by 40 percent, which equates to \$9.2 billion. It is currently estimated that there are 120,000 Oregonians underwater, meaning they owe more than their house is worth.

The Legislature established a foreclosure mediation program in 2012 (Senate Bill 1552). The program, which became operative in July, offers an opportunity for homeowners to meet with their lender in the presence of a mediator to discuss possible foreclosure avoidance measures. Prior to mediating, the homeowner is required to consult with a housing counselor. The homeowner and lender share in the cost of the mediation.

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

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 (Initiative), a division within OHCS. The funding helps unemployed homeowners throughout Oregon make their mortgage payments and helps borrowers pay off past due interest and fees. The Initiative also provides assistance to underwater homeowners in Deschutes and Jackson counties. The Initiative will be funded until 2017, although funding is likely to be exhausted before 2015.

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

Over the past five years, the state has received approximately \$5 million in federal funding to provide foreclosure counseling and loss mitigation services to about 5,000 homeowners struggling with foreclosure issues. The OHCS partners with foreclosure counseling agencies to

deliver services statewide. The OHCS intends to apply again when a new round of funding becomes available so that foreclosure counseling services can continue.

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% of area median income.

### **Oregon Housing and Community Services Department (OHCS)**

OHCS is Oregon's housing finance agency, providing financial and program support to create and preserve opportunities for quality, affordable housing for Oregonians of lower and moderate income.

The agency was created in 1991, when the legislature merged the Oregon Housing Agency with State Community Services. 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.

The 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 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 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 18 affordable rental housing loan, grant and tax credit programs. The funding is awarded to selected projects through the Department'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 50 to 100 percent of area median income. State and federal funding is used to make grants that are awarded semi-annually. These programs assist very-low-income people with special needs. The tax credit programs offer credits on federal and state tax liabilities to individuals, corporations, partnerships and other legal entities.

### **Rental Assistance**

The OHCS administers programs that subsidize or guarantee rental payments for low-income Oregonians to help them remain in stable housing. Households may also receive case management services to support their progress toward self-sufficiency.

### **Homeownership Programs**

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

### **Energy Assistance and Weatherization**

One-third of households in Oregon qualify for energy assistance based on household income. These low-income Oregonians spend as much as 44 percent of their household budgets on utilities.

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.

## **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 “parks” where the land is owned by a separate entity and the tenant rents the space. Oregon has approximately 1,300 manufactured dwelling parks, encompassing over 65,000 spaces.

The Manufactured Communities Resource Center (**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.

Although the market pressure to convert parks has diminished, the Legislature in 2009 authorized \$3.1 million in lottery revenue bonds to be used to assist in the financing of manufactured dwelling parks. Additionally, the Legislature in 2005 provided a waiver of capital gains taxes for manufactured park owners who sell their park to authorized organizations, such as a tenants’ association or a housing authority. The waiver is set to sunset December 31, 2013.

## **Housing Finance Outlook**

The state of the economy and financial markets has had a negative impact on OHCS’ ability to issue tax-exempt bonds and finance affordable single and multi-family housing projects.

For the single-family homeownership program, OHCS is prohibited from issuing bonds that generate a mortgage rate that is competitive with the private market. Housing bonds have typically had higher interest rates than other municipal debt. Oregon is not alone; across the nation, housing finance agencies have taken losses or used other resources to create funds for down payment assistance or other incentives that

allowed them to continue their first time homebuyer programs.

To address the poor bond market conditions, in 2009 the federal government created a new program which temporarily enables OHCS to issue single-family bonds. However, this federal program is temporary and will be discontinued on December 31, 2012.

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

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