



Report to the Legislature: December 2014

The Affordability, Balance and Choice Workgroup formed in January 2014 and met seven times between January and December, in addition to small group meetings during the summer. The Workgroup's ambitious charge set out a broad scope aimed at nurturing inclusive and affordable communities. We recognize that all of our successes meeting our goals as communities and as a state start with having homes to wake up in and return to at night.

The Workgroup was motivated by a growing awareness within the Legislature of the intensifying housing needs that Oregon communities in all parts of the state are struggling to address, as well as by the effort to remove statutory language that limits local jurisdictions' ability to impose "inclusionary zoning" requirements.

We heard compelling evidence of the need for immediate action by the Legislature to develop and strengthen tools and resources for affordable housing. Not only is the need for housing of all types—from rental to single-family homes—growing rapidly, but Oregonians' ability to pay for housing is limited. Our communities are more and more racially and economically segregated. Housing located near work, educational opportunities, and transit is increasingly scarce. Finally, our cities lack the tools to proactively meet community housing needs and their obligations to affirmatively further fair housing, which is further complicated by Oregon's unique state land use system.

The Workgroup sought to find consensus-based approaches to address our state and local regions' housing affordability crisis, and to explore which tools would help create more inclusive communities. Through ongoing conversations, members of the workgroup shared their personal and organizational views about a variety of potential solutions. Though the workgroup did hear arguments and discussed the potential impact of Inclusionary Zoning and of lifting the statewide pre-emption created by ORS 197.309, members did not come to a consensus recommendation on removing the pre-emption. The lack of consensus should not be taken as a recommendation – it neither means that the conversations had no merit nor that inclusionary zoning strategies should not be explored further.

The Workgroup did reach consensus on a package of tools that we will advance or support in the 2015 Legislature, as well as identified issues worthy of ongoing attention.

Housing Needs

Members of the ABC Workgroup heard from leaders from Bend, Pendleton, the Central Gorge, Medford, Eugene, Portland, and Newport as well as from groups serving the entire state. We learned that the need for housing in all Oregon communities across the spectrum of incomes is alarming. We also heard about growing concerns about the location of available housing, economic segregation, and displacement of residents with low incomes. We heard that the lack of affordable or available housing is a significant barrier to our



communities' ability to spur economic growth and to achieve employment, education, health, and equity goals.

The Mid-Columbia Economic Development District identified the shortage of quality housing options at prices commensurate with wages as one of the main barriers to economic development. One employer in the region noted, "Housing in the Gorge is often a challenge for our employees. The main challenges include low inventory, such as lack of multi-bedroom apartments and 'starter homes' for young families, and high cost. Many of our junior employees and those in lower pay brackets find themselves priced out of both the rental and purchase markets."

In most communities in Oregon, families with incomes at or below the Area Median Incomes cannot afford to rent an average two-bedroom apartment. On average, a family must work 1.8 full-time jobs at median renter wage to afford a two-bedroom apartment at fair market rent. (see Oregon Housing Alliance data by county <https://www.oregonhousingalliance.org/resources/>)

Vacancy rates in rental housing are among the lowest in the country across Oregon. Vacancy rates are below 3% state wide, and below 1% in some communities including Bend. The vacancy rates affect renters in all sectors of the rental market but are most significant for renters with low incomes, large families, or needs to be in a specific location needs. While a building boom is underway in many areas of the state, demographic trends predict no abatement in the demand.

Tools Needed to Create Inclusive Communities

The Workgroup spent considerable time exploring what is needed to reach the goal of creating inclusive, affordable communities. A robust set of tools will be required to address the full spectrum of housing needs in Oregon, and we have only begun the work of developing those tools.

Needed tools can be grouped into several large categories:

- **Money**

Whether it comes as capital or equity investment, flexible and risk tolerant capital or loans, or land, affordable housing development will require money. Federal resources are diminishing, and state resources have been inadequate.

- States were once able to rely on federal subsidies for direct housing development and support of housing authorities. These development resources have been eliminated from the budget or are declining rapidly, and what remains is increasingly restricted by federal rules. Federal per capita support for community development and housing activity through the Community Development Block Grant and HOME programs has been decreasing each year.
- The largest federal housing program supporting development, the Low Income Housing Tax Credit, supports the development or refinancing of only about 1,000 units per year in Oregon, so does not help us keep pace with growing needs.



- State resources dedicated to housing are extremely limited. The largest include the document recording fee, enacted in 2009 and raised in 2013, which currently generates approximately \$24 million a biennium. Other resources include public purpose charges to utility providers, small amounts of General Fund dedicated to preventing and ending homelessness, periodic allocations of Lottery Backed Bonds, and a tax credit which reduces the cost of mortgage debt. A matrix summarizing these resources and tools is available.
- **Debt**
 - Low cost debt – Oregon has a unique state tax credit, the Oregon Affordable Housing Tax Credit (OAHTC), which provides reduced interest on long term debt for affordable rental housing. Demand for the OAHTC exceeds the current capacity of \$17 million.
 - Available debt – we heard evidence that the credit market is failing to meet the needs of housing developers both for multi-family rentals and for homeownership. This is especially true outside of the upper Willamette Valley. Credit enhancement tools or tools to spur private investment may be needed.
 - State bonding is limited in its utility by Constitutional limits on the use of General Obligation (GO) bonds to benefit private parties. GO Bonds pay significantly lower interest rates than other forms of debt.
- **Land**
 - Available land is in short supply in many communities. Land suitable for development is often not for sale.
 - Location of housing is key to reaching the goal of inclusive communities. We need strategies to set aside land located in areas of opportunity or priority neighborhoods for affordable housing.
- **Policy Tools**
 - Oregon’s land use system has not historically focused on housing development, inclusion, and affordability as a goal. A clear focus on housing goals is needed.
 - The current land use system allows disruption of development plans due to neighborhood opposition rooted in fear and stereotypes.
 - Local resources for planning for housing needs are limited, and jurisdictional staff must manage multiple duties. Centralized expertise and support is needed.
- **Cost reduction strategies**
 - The workgroup spent time exploring the costs of development in Oregon, and the many factors that drive costs including neighborhood opposition, system development charges and property taxes. Meyer Memorial Trust has also launched an effort to explore this topic.

The ABC workgroup began exploration in all of the categories of tools. We cannot do justice to the breadth of that exploration here. We have attempted to capture the data provided to the workgroup on the web site, www.affordabilitybalancechoice.org.



Recommendations

The ABC Workgroup recommends that the following actions be taken by the Oregon Legislature during the 2015 Legislative Session to increase housing availability and better meet critical needs.

- **Debt**
 - Increase the availability of low cost debt:
 - Refer to voters an Amendment to Article 11 of the Oregon Constitution to expand the use of General Obligation bond authority to fund affordable housing. Currently, GO bonds may be used to fund housing developed by private parties for elderly and disabled Oregonians if rent revenues can repay bonds. We propose expanding the exception to include housing for residents with low incomes regardless of age or disability status. (LC 2379)
 - Expand monetary cap on Oregon Affordable Housing Tax Credit (OAHTC) from \$17 million. A final recommendation will be made after a workgroup convened by Oregon Housing and Community Services completes its review of demand for and capacity of the OAHTC. That work should be completed in January 2015. (LC2493)
- **Land**
 - Address the need for land for housing development which is located near opportunity areas, available for sale or development, at a manageable cost
 - Support reclamation of brownfields for land banking for community benefit, including affordable housing (coalition proposal)
 - Inventory Oregon Department of Transportation and Department of State Lands owned land for possible housing uses. Support inventories by other units of government, including school districts.(LC2596)
- **Policy Tools**
 - Strengthen capacity and tools to monitor and encourage housing development to meet community goals
 - Create a “housing lens” within Oregon Housing and Community Services – an annual look at whether cities and counties are able to meet their goals around affordable housing and at state tools and strategies to meet needs. (LC2407)
 - Support housing developers and communities in their efforts to locate a range of housing types at a range of affordability throughout Oregon communities (counteract “NIMBYism”)
 - Monitor other legislative conversations about “needed housing” and strategies to increase clarity in the application of “clear and objective standards” to developments (Homebuilder proposals?)