

PROPOSED \$100 MILLION FOR FAMILY AFFORDABLE HOUSING

THE PROBLEM

Across Oregon, too many families with children are experiencing or are at risk of homelessness, because there is a severe and growing lack of affordable housing. Last year, Oregon schools found over 18,000 school children experienced homelessness at some point during the year.

There is growing recognition that without stable housing, we cannot achieve our goals as a state for the future. Children will not be ready to learn, read at grade level, or graduate on time. Families will not succeed or thrive. And even though Oregon's economy is recovering in some communities, wages are not keeping pace with rents and too many of the lowest income families can't afford rent in the available apartments.

THE SOLUTION

Substantial new resources are urgently needed to spur the production of affordable apartments for low-income families. The 2015-17 Governor's Recommended Budget calls for \$100 million for Oregon Housing and Community Services (OHCS) to develop new affordable housing units for families at risk of or experiencing homelessness. This recommendation uses two sources of funds:

- \$85 Million in Article XI-Q Bonds, which are backed by the General Fund. While this source of funding has never been used for affordable housing development, it is routinely used to develop other public facilities and infrastructure, and can be used for housing.
- \$15 Million in Lottery-Backed Bonds. These funds have been used to preserve affordable housing since 2009 and can easily be used to develop new affordable housing.

Both of these sources of funds are required to be used for capital, rather than operating expenses or social support services. OHCS will work to ensure projects have the resources they need to help families succeed.

THE APPROACH

OHCS will take full advantage of available technical and legal advisors as it charts a path to utilize this new funding source in the most effective way possible. Anti-poverty and community action experts from the field, and national best practices will inform discussions about choices and priorities. The Oregon State Housing Council will serve as the central convener of technical and policy discussions as well as community engagement efforts. In addition, the Council will:

- Synthesize direction and guidance received through the legislative process;
- Balance social and geographic equity;
- Ensure access to needed services in order to help families succeed;
- Articulate desired long-term outcomes; and
- Develop a comprehensive investment strategy including considerations around leverage and use of other funds.

TIMING

Because the bonds are not anticipated to be sold until late in the 2015-17 biennium, OHCS and its many stakeholders will have time to develop policies, priorities, and approaches for effective use of these scarce public resources. The agency will work to identify specific projects that are ready to proceed and fully compliant before any bonds are sold.

FREQUENTLY ASKED QUESTIONS

This is a new use of bond capacity for the State of Oregon – why is it important?

The State of Oregon carefully manages how much general and lottery funds are dedicated to future bond debt service each biennium. As proposed, this funding for affordable housing fits within established prudent parameters. In general, long-term debt is considered appropriate when the asset provides a long-term benefit to the State. The housing that's created through this investment will serve families with children who are experiencing or are at-risk of homelessness who are also users of other services. Stable housing will help them transition off of safety net services more quickly and access pathways out of poverty. As a result, Oregon will stand a better chance of meeting its goals for improving economic security for all.

If the Article XI-Q bonds are used, will the State need to own the buildings?

The State will need to have an ownership stake in the housing that's built. OHCS will create the necessary leases, and operating and management agreements with experienced housing developers and owners that allow it to meet its obligations under Article XI-Q while also entering into partnerships with the affordable housing industry for day-to-day operations. More specifics about how such arrangements can be structured will be studied and vetted in the coming months through both experts in bond financing as well as discussions with partners and developers at the State Housing Council. OHCS does not intend to operate these buildings, or to become a housing authority or developer.

These bonds are supposed to address family homelessness. Will the State charge rent?

Yes, it will be necessary to charge some rent. Our goal in developing new properties will be to drive rents as low as possible to ensure they are affordable to the very lowest income families. Any expansion in the supply of deeply affordable rentals will help stabilize the lowest income families. Strong local partnerships and referral systems will help identify those families with the least stable housing situation and thus keep many from falling in to homelessness.

Can this money be used with other state and federal financing tools?

Yes, there may be ways to utilize OHCS funding streams and other public capital tools with these funds. Pairing the bond money with other resources may have operating, leverage, and compliance-related trade-offs, and those will need to be considered in the overall context of project structuring scenarios. Both experts in bond financing and discussions at the State Housing Council table will consider these questions.

Will projects have to comply with federal tax-exempt financing rules?

Not necessarily. If the bonds are sold on a taxable basis, the resulting capital can be deployed more flexibly. On the other hand, bonds sold on a tax-exempt basis – while much more technically complicated up front and over time – will need to be considered as the exemption would result in lower borrowing costs to the State over time.

Will there be resources to help support families succeed in this housing?

Yes. OHCS is committed to working closely with our state and local partners to ensure the families accessing this housing have the needed supports to succeed. Oregon Department of Human Services (DHS) has committed to working closely with OHCS and its partners to develop strong policy linkages, and to support its field offices in partnering at the local level to ensure target families living in the apartments also have access to state-funded supports. DHS will assist OHCS and its partners in helping to shape the eventual execution strategies. Oregon Health Authority (OHA) has similarly expressed interest in participating, both through the Coordinated Care Organizations where housing has been identified as a high priority, and through the Addictions and Mental Health Division.

How many units will be developed through this proposal for \$100 million in bonds?

The eventual number of units will depend on numerous variables and assumptions having to do with what level of rent should be charged, what degree of mixed income and family integration is determined to be most desirable, the ability to leverage other public and private capital, and the cost of development and construction. Discussions at the State Housing Council table will consider the appropriate level of regulatory compliance and oversight, which also impacts long-term costs. Estimates of the numbers of units possible have ranged from 1,000 to 10,000 depending on which assumptions are used. OHCS hopes to achieve 5,000 units, and will process the various options and scenarios with its industry partners in the coming months.