



Proposed \$100 Million Family Affordable Housing

Presentation to Ways and Means Subcommittee on
Transportation and Economic Development

Margaret S. Van Vliet, Director
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2015-17 GOVERNOR'S BUDGET

- The 2015-17 Governor's Budget calls for a substantial new investment in affordable housing
 - \$15 million in Lottery Fund-backed Bonds
 - \$85 million in General Fund-backed Bonds (Article XI-Q)
- Governor's Budget policy target: families with children who are experiencing or at risk of homelessness

AN OREGON SOLUTION

“This investment is about the opportunity to create an innovative, Oregon solution to the lack of affordable housing throughout Oregon. Families are struggling to find a place to call home all across Oregon. Allocating \$100 million for affordable housing can get us closer to living in a state where everyone has access to opportunity and a decent affordable place to call home.”

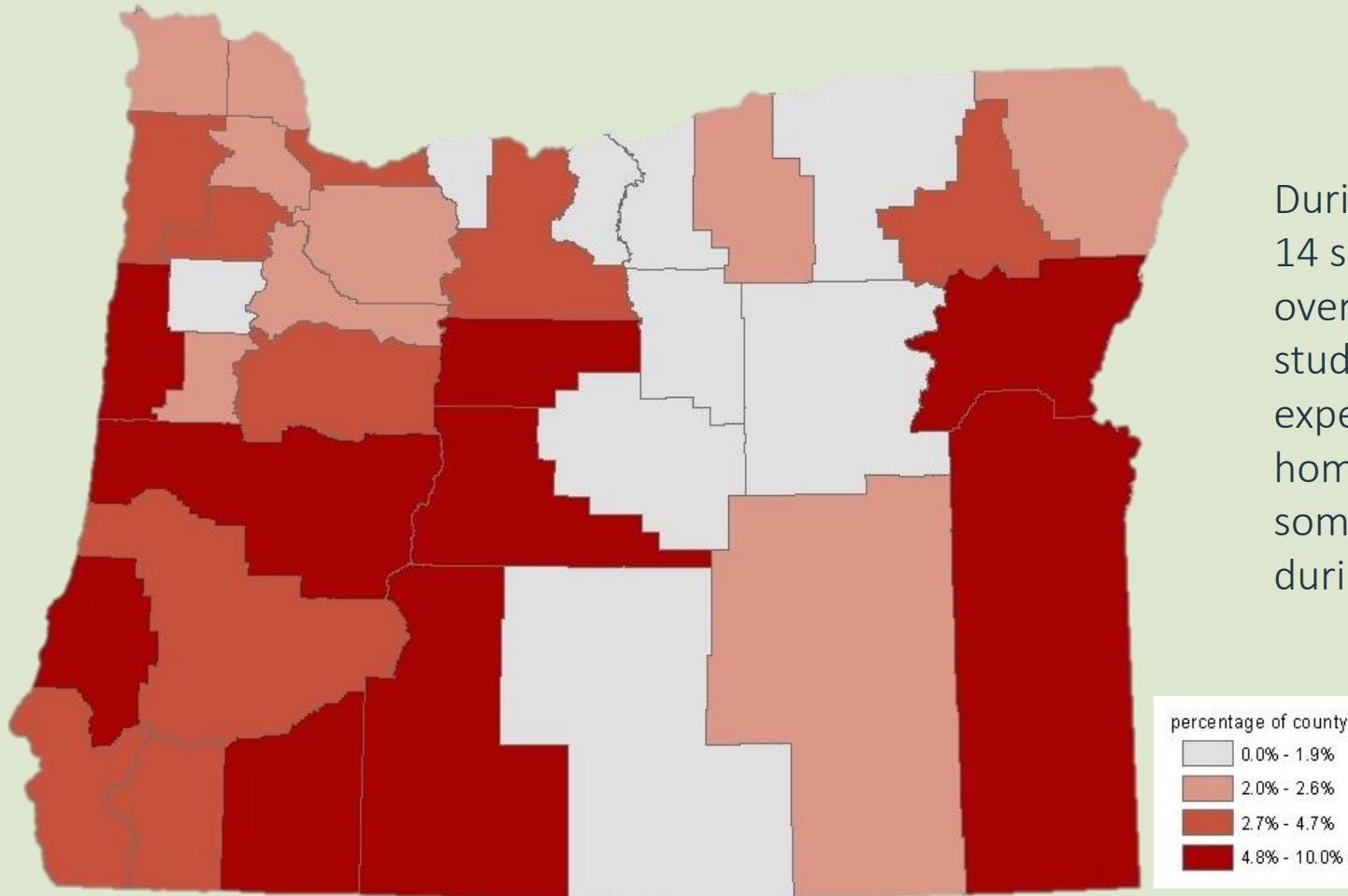
- Governor Kate Brown

NEED FOR AFFORDABLE
HOUSING

WHAT'S CONSIDERED AFFORDABLE?

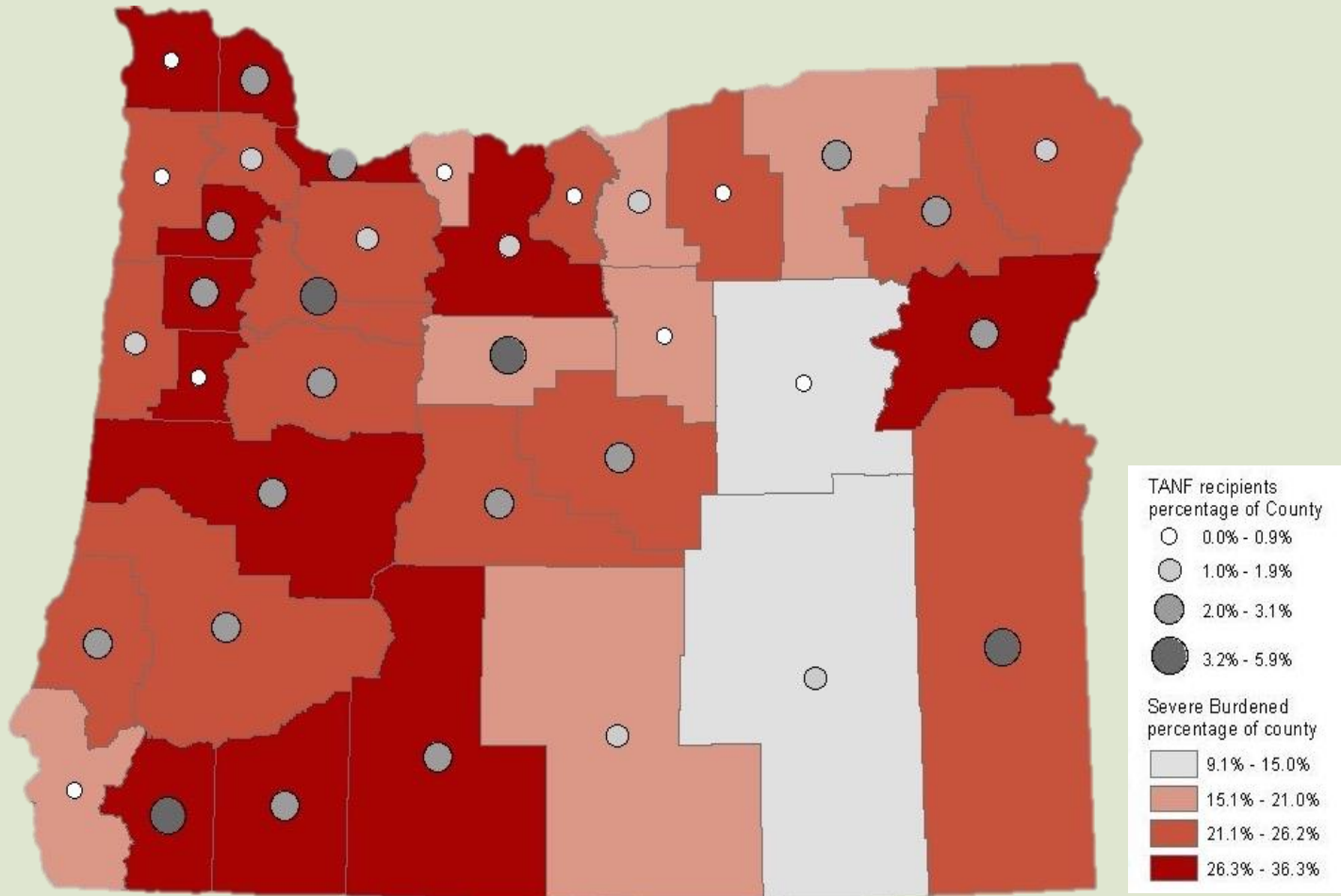
- Generally, paying 30% of your income towards rent is considered “affordable.” Families that pay 30% of their income towards rent have income left over to pay for food, medicine, transportation, and other basic needs.
- The National Low Income Housing Coalition determined that in Oregon, someone earning minimum wage would have to work 72 hours a week to be able to afford a two-bedroom apartment at average rents (\$846 per month). This assumes that the worker will spend no more than 30% of their income on rent.
- Nearly one in three Oregonians pay more than 50% of their income towards rent, and one in two pay more than 30% of their income towards rent.

NEED: HOMELESS SCHOOL KIDS, 2013-14



During the 2013-14 school year, over 18,000 K-12 students experienced homelessness at some point during the year.

NEED: RENT BURDEN & TANF RECIPIENTS



150,000 Oregonians have a severe rent burden, meaning they are paying more than 50% of their income towards rent.

NEED: SHORTAGE OF AFFORDABLE HOUSING

175,000 renter households in Oregon are considered “Extremely Low Income”



There are only 45,226 rental units affordable to those households



Only one in four eligible households receive a federal housing subsidy nationwide

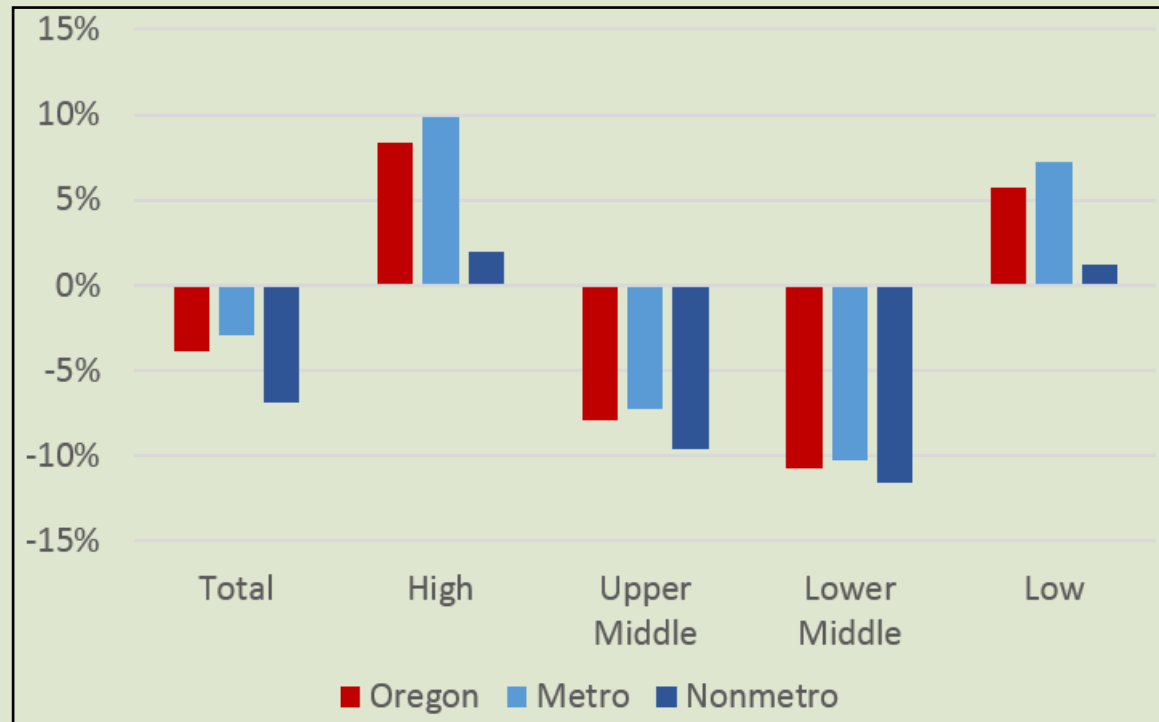


ECONOMIC FACTORS

- Uneven economic recovery across Oregon
- Increasing home and rental prices; decreasing vacancy rates
 - In 2014, Central Oregon had a 1.9% rental vacancy rate; current data shows Bend has a less than one-half percent vacancy rate
 - The Portland metro area is also experiencing a significant decrease in vacancy rates
- Housing Choice Voucher holders are struggling to find a private market apartment to accept their voucher
 - Low vacancy rate plus increasing rents
 - Individuals and families returning vouchers

ECONOMIC FACTORS: WAGES

Job Growth in Income Sectors Uneven Across Oregon 2008-2013



Source: Oregon Office of Economic Analysis

CURRENT OHCS FUNDING

MULTIFAMILY HOUSING FINANCE FUNDING SOURCES

■ FEDERAL

- IRS Tax Credits
 - 4% and 9% Low Income Housing Tax Credit [LIHTC]
- HUD Grants
 - HOME Investment Partnership

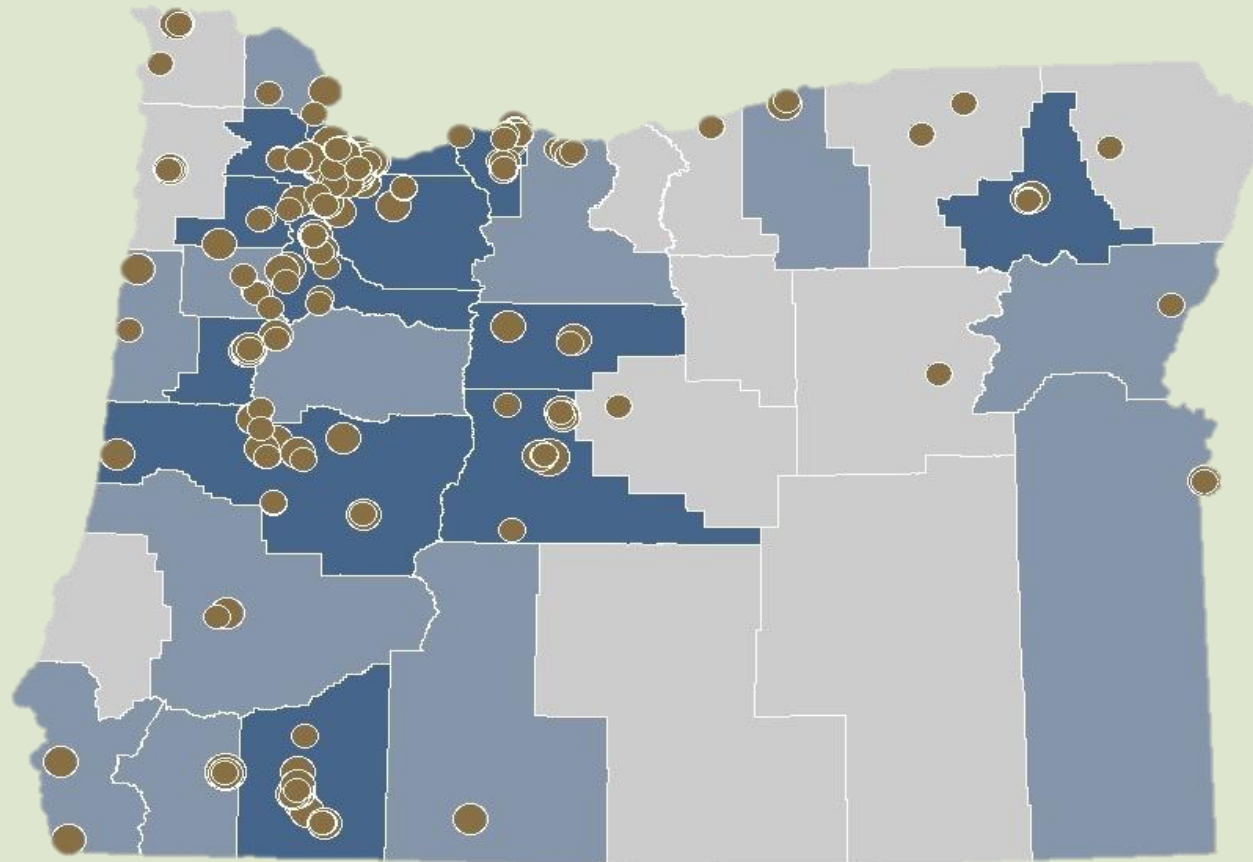
■ STATE

- Document Recording Fee
 - Public Purpose Charge
 - Lottery Backed Bonds
 - OHCS Issued Bonds
 - Oregon Affordable Tax Credit [OAHTC]
- With current resources, OHCS funds the construction or acquisition and rehabilitation of approximately 1,300 units per year

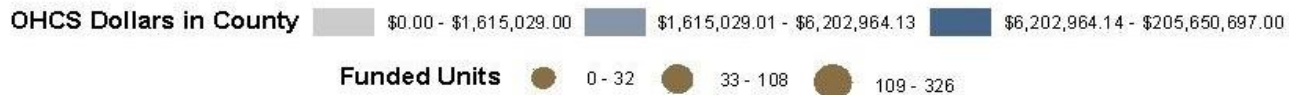
NEED: CURRENT OHCS FUNDING CRITERIA

- The current competitive processes to distribute resources for multifamily affordable housing considers a range of factors for “need”, including:
 - Target population
 - Households with children or seniors
 - Special needs populations
 - Severity of need
 - Population growth
 - Rental housing age
 - Renters with “severe housing burden”
 - Affordable housing gap
 - Preservation
 - Underserved geography (need for affordable housing units versus actual affordable housing units)

5 YEARS OF OHCS AWARDED PROJECTS (2010-2014)



OHCS awarded funds for 7,888 units in 222 projects in 31 counties



WHAT'S POSSIBLE WITH
\$100 MILLION FOR
HOUSING?

WHAT'S POSSIBLE WITH \$100 MILLION?

■ Production

- 3,000-4,000 new units could be built with a \$100 million investment
- Ultimate production depends on variables and choices such as:
 - Land, materials, and labor costs
 - Affordability
 - Design and construction standards
 - Regulatory requirements
 - Layering of other state or local subsidies

- **Innovation:** New, flexible resources would allow OHCS and its partners to test innovative strategies and create a modern model of affordable housing development, using years of experience, expertise, and success.

WHAT'S POSSIBLE?

Support for local efforts

- Use new flexibility to tailor solutions
- Some communities are ready to commit their resources
- Regional Solutions, Coordinated Care Organizations, Early Learning Hubs, and other collaboratives are increasingly prioritizing housing

Alignment

- State agencies working more closely to achieve shared goals
- Supporting local frontline providers to comprehensively meet needs of more low-income clients
- Eliminate “silos” and help Oregonians experiencing poverty to better access all needed services

WHAT'S POSSIBLE?

■ Alternative Construction

- Modular construction
 - “Tiny houses”
 - Alternative construction methods
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- Existing resources currently don't align with these types of strategies
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- New resources will allow us to test innovative strategies

■ Cost containment

- Affordable housing development industry increasingly cognizant of concerns about costs
- Local and national studies underway
- Public policy choices impact costs

WHAT'S POSSIBLE

- There are a range of strategies to consider with these resources that could bring costs down compared to typical affordable housing development:
 - Keep building designs simple and use modest but durable materials
 - Limit blending of new resources with tax credits, as they are costly and complex by nature
 - Simplify or relax complex regulatory requirements
 - Ensure social services and supports are funded outside of the operating budgets

LEGAL REQUIREMENTS & OVERSIGHT

LOTTERY BACKED BONDS

- Proposed \$15 M in Lottery Fund backed Bonds
 - Used as a capital source in affordable housing preservation
 - \$44 million since 2009
 - 2,583 housing units have been preserved using Lottery Bonds
 - Has leverage substantial public and private capital and retained valuable federal rent subsidies for the poorest Oregonians
 - New uses could be similar, though not proposed to be limited to preservation

GENERAL FUND BONDS

- Authorized by Article XI-Q, “Q Bonds”
- Have been used to develop public buildings
- First time this source will be applied to affordable housing
 - The State will take an ownership role in financed properties
 - Enter into agreements with experienced, professional housing providers to operate and manage the properties
 - Bond proceeds fund the State’s equity interest
 - Bonds will be issued on a taxable basis to preserve flexibility
- Significant assistance from DOJ and Bond Counsel
- Resources will not be available until bonds are issued in 2017
- Projects will need to be identified when the bonds are sold

OVERSIGHT & PLANNING

- Oregon Housing Stability Council
 - HB 2442
 - Governor appointed, Senate confirmed
 - Statutorily named advisory body with responsibility for oversight to the Department
 - Increased financial and budget oversight
 - Increased policy oversight and direction
 - Increased membership from 7 to 9
 - Proposed subcommittees to consider financial structuring and policy questions

OVERSIGHT & PLANNING: SUBCOMMITTEES

■ Financial Structuring Committee

- Consult with bond counsel, state treasury, representatives of the financial services industry, and both for-profit and non-profit sector subject matter experts in housing development
- Guide the real-estate related investment criteria

■ Policy Committee

- Examine statewide family housing needs and opportunities
- Propose strategies to reach traditionally under-served communities, including communities of color, and rural communities still struggling with economic recovery
- Consider avenues to balance resources among competing priorities
- Suggest allocation methodologies, including key elements that could or should be used in any future competitions for funds
- Propose specific strategies to ensure that once the housing is in place, local partnerships and/or relevant state agencies are equipped to effectively refer at-risk families and provide effective services and/or case management for such families.

POSSIBLE MODELS FOR DEVELOPMENT

DEVELOPMENT ASSUMPTIONS

- Program design including key policy choices will be publicly vetted through the Oregon Housing Stability Council
- Current assumptions:
 - Emphasis on two- and three-bedroom apartments; some one- and four-bedroom apartments can be added
 - Units are developed for a range of incomes between 30% and 60% of Area Median Income (AMI)
 - Construction and development costs similar to the private sector and lower than traditional affordable housing
- OHCS will take an ownership role in the property, executing long term operating agreements with experienced housing providers

POSSIBLE MODELS FOR DEVELOPMENT



Small Scale, New Construction

- 10 unit, wood frame
- Small communities or urban infill
- Two- and three-bedroom units
- Affordable to low-wage workers
- Development costs consistent with private sector

POSSIBLE MODELS FOR DEVELOPMENT

Mid size, new construction

- 50 unit, wood frame
- Suburban community or small city
- Potential local contribution of land, systems development charge waiver, or cash
- Two- and three-bedroom, mix of affordable rents
- Possible partnerships with local Public Housing Authorities



POSSIBLE MODELS FOR DEVELOPMENT



Land Acquisition

- Purchase available land at market value
- Allows time for site feasibility studies and a normal development process
- Land ownership with long term lease satisfies ownership requirements

POSSIBLE MODELS FOR DEVELOPMENT

Innovation

- Modular construction or alternative design and construction strategies
- “Tiny houses”
- Reducing green building requirements to no greater than existing building codes



POSSIBLE MODELS FOR DEVELOPMENT

Building Acquisition

- Existing, small market rate apartment community
- Well-maintained
- OHCS could use bond proceeds plus conventional debt to buy the property and reduce rents
- Upgrades on turnover
- No displacement of existing tenants
- For existing low income tenants, possible rent decrease



HISTORIC INVESTMENT IN HOUSING

- Historic opportunity to invest in a new affordable housing production tool
- Innovative, new strategies are feasible with new funding
- Unprecedented need for affordable housing statewide
- With an Oregon-funded solution, we can set the rules, define the policy choices, and set the targets

HOUSING TIES IT ALL TOGETHER

“MacArthur-supported How Housing Matters research has already revealed that **stable, quality housing** matters in ways critical for **children's emotional and physical development, improves school performance, and diminishes psychological stress...**”

(MacArthur Foundation, 2013)

“The combination — and coordination — of housing, **healthcare**, and supportive services, if effectively delivered and well-targeted, can help to achieve savings in healthcare expenditures, which are major drivers...”

Cambridge: ABT Associates, 2013.



“For the first time, state officials were able to track the **academic performance levels** of homeless students and, as they expected, found that lacking a secure place to live hurts students' school performance.”

The Oregonian. November 21, 2013.

Research shows that **housing** and family support, especially during the **critical** first months after **prisoners** are released, **increase their chances of success in re-entering society** and not returning to crime. But they face hurdles when trying to rent apartments...”

The New York Times. November 14, 2013.