



April 7, 2017

House Committee On Human Services and Housing
900 Court Street NE
Salem OR 97301-4047

Dear Chair Keny-Guyer, Vice Chair Sanchez, Vice Chair Stark and members of the Committee:

Oregon's shortfall of homes affordable to low-income renter households is estimated at over 137,000 units. This shortage of affordable rental homes has placed growing pressure on low-income renters which has been made worse recently by projects exiting assisted housing programs and by real estate speculators purchasing existing affordable apartment buildings and converting them to higher cost market rate rentals.

Over the last five decades billions of dollars in public resources have been invested in the development of privately-owned publicly supported housing here in Oregon. As these rent-restricted properties come to the end of their contract period, owners may elect to convert them to market rate rentals or other uses. ***HB 2002 will help address Oregon's shortage of affordable housing by preserving the publicly supported homes we already have.*** The bill strengthens existing statute by offering new tools to help preserve Oregon's publicly-supported housing. HB 2002 will:

- Expand the definition of publicly supported housing to include properties developed with federal, state and local affordable housing programs including federal project-based rental assistance contracts, Low Income Housing Tax Credits (LIHTC) and some local housing programs.
- Require a two-year notice to the state, the residents and local government agency where the property is located, of a contract expiration, mortgage prepayment, mortgage maturity or use restriction expiration on publicly supported housing projects such that the property will no longer be a participating property.
- Provide the state and local government agency, or their prequalified designee, an opportunity to purchase and preserve the property at a fair market value.
- Protect residents who suffer damages resulting from an owner's failure to provide required notices or to comply with other provisions of the law.

Why do we need to strengthen the existing ORS? Between 1996 and 2017, at least 105 federally-subsidized properties with 3,543 units were lost to mortgage maturity, prepayment, contract opt-out and foreclosure and many more projects are at risk. During the coming 10-years:

- Contracts on 212 HUD subsidized properties with 6,975 units will expire.
- Use restrictions on 29 LIHTC projects with 1,892 units will expire.
- Direct mortgages will mature on 26 USDA Rural Development (RD) 515 projects with 535 units allowing projects to exit the program and convert to market.

Nationwide, RD has been allowing more owners to prepay their mortgages and exit the 515 program, indicating additional Oregon projects may soon be lost to mortgage prepayments. In fact, in just the last year, four Rural Development projects exited the 515 program after prepaying their mortgages. Another two prepayment requests are currently being processed.

Under HB 2002 the owners of these RD properties would be required to provide notices of their intent to exit the program to the residents and state and local government. HB 2002 would also provide the state and/or their designee, an opportunity to purchase the property and preserve it for continued affordable uses.

Many states, including Oregon, have implemented sound public policies to help preserve publicly supported housing. Since 2006 Oregon has prioritized preservation of projects with federal rent assistance contracts preserving over 200 properties to date with over 9,000 units state-wide. Preservation has proven to be good public policy as it safeguards the original public investments in these properties and extends the stream of federal subsidy dollars for another 20 to 30 years.

HB 2002 provides another tool to help preserve Oregon's publicly supported housing. We urge the Committee to support HB 2002.

Respectfully submitted,



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