Network for Oregon Affordable Housing

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House Interim Committee on Housing—COVID-19 Informational Session
Testimony, Bill Van Vliet, Executive Director, NOAH (Network for Oregon Affordable Housing)

My name is Bill Van Vliet, Executive Director of NOAH, the Network for Oregon Affordable Housing. NOAH is a statewide nonprofit formed in 1990 under the leadership of the Oregon Bankers Association to provide financing for multifamily affordable housing projects throughout the state. We currently have $270 million of capital available to do our work.

NOAH's affordable housing loan portfolio has remained mostly stable during these first two months of COVID. The stability of our portfolio begins with rent collections--- and rent collections have generally been better than most everyone expected in both April and May. That doesn't mean that it's been normal or that residents aren't struggling. Many residents are suddenly unemployed and have been forced to make difficult choices. There has been an increase in the number of partial payments and Payment Plans have been established. In one large portfolio, 13% of all tenants who don't receive rental assistance have entered into payment plans, and that number will likely rise. As those rent deferrals accrue without assistance, renters end up with a deeper and deeper hole to climb out from.

While we have avoided a broad-based catastrophe so far, we do not feel secure that it will continue. We believe residents who have lost jobs have managed to pay rent using savings or borrowing from family and friends. For some, the one-time stimulus checks or unemployment insurance have helped. These are all limited resources and once depleted and the stimulus programs end, rent payments will stop. It's just a matter of time. And for some tenants and some property owners, time has already run out.

Oregon renters were overburdened before COVID, and even if they return to work, their ability to repay overdue rent is limited. A long-time property manager told me that tenants can rarely make up more than one month of back rent over the course of a year. We can't expect tenants to recover from large balances of past-due rent without assistance.

There's another lagging impact that will hit owners down the road—deferred maintenance. Owners have rightfully delayed non-emergency in-unit maintenance and repairs. Once they can safely get into units, there will be a surge of expenses that will stress these organizations. There are reserves for some of these costs, but not the majority.

I also want to call special attention to one important segment of housing, homeowners residing in manufactured home parks. These families own their homes, but rent the land beneath them. They are a hybrid and often fall through the cracks of consumer protections and stimulus plans created for homeowners or renters. As you consider a response to

COVID, please keep them in mind. We have 62,000 homes in manufactured home parks in Oregon and no doubt many have been harmed economically by COVID.

Oregon has a robust pipeline of projects in different stages of development. Oregon's housing crisis has not diminished because of COVID, and the jobs these developments create are as important as the housing itself. Now is not the time to take our foot off the gas, but COVID is beginning to strain production. Dedicated housing developers are charging forward, but logistics are inevitably slowing progress. But, I'm mostly concerned about the private capital needed for these projects the longer COVID carries on.

At the beginning of the "Stay at Home" order, funders were generally confident that this would not cause a major disruption in underwriting practices and overall access to capital. Now, I hear far more caution with reports of some funders stepping to the sideline until the dust settles. Prices investors are offering to pay for tax credits have dropped, especially in rural communities due to the recession and lingering impacts of tax reform. Underwriting requirements are more conservative and project income projections have been reduced.

All of this means less private capital per project, and more public funding will be necessary to fill the gaps. Some of the capital solutions are the responsibility of the federal government, but there are things the state can do to help.

From my vantage point, we need two tools: A rent assistance program and a multifamily property stabilization fund administered through OHCS. Rent assistance will keep residents in their homes without piling up an impossible level of debt, and the stabilization fund will address the lagging impacts to property maintenance, adequate reserves, and the lost rent not captured by rent assistance. It will help maintain the financial health of our development partners so they can qualify for private financing. Finally, it will help provide more stable rental income for developments in the pipeline. These tools will help us attract more private capital for development of affordable housing, stretching state investments farther.

Thank you.