



**OREGON HOUSING *and*
COMMUNITY SERVICES**

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Dec. 8, 2022

Representative Maxine Dexter, Chair
Representative Julie Fahey, Vice-Chair
Representative Lily Morgan, Vice-Chair
House Interim Committee on Housing
900 Court Street NE
Salem, OR 97301-4048

Re: Following up from yesterday's hearing

Dear Chair Dexter, Vice-Chairs Fahey and Morgan, and Members of the Housing Interim Committee on Housing:

Thank you for inviting OHCS to present to your committee. We were eager to see members **in person** for the first time in many years and appreciated the opportunity to share our 2023 Draft Legislative Agenda and the values that guided its development. Vice-Chair Morgan and Representative Zika raised thoughtful questions that we answered in person, and we have expanded on those below.

Vice-Chair Morgan asked what OHCS is doing to address capacity constraints when recent growth has been a strain:

In building our 2023 Draft Legislative Agenda, OHCS focused on existing programs to take advantage of the capacity we've built internally. While the 2023-25 Agency Request Budget is the largest OHCS has ever put forward, this represents a decrease in resources from 2021-23 biennium as emergency programs phase out. OHCS would be the first to say our capacity has been strained throughout the course of the pandemic, and we have increased staffing thanks to legislative position authority provided in the 2021 and 2022 sessions. Given the growth of the agency and the need in communities large and small, OHCS budget is audacious and appropriate.

OHCS is also bringing forward legislative concepts to ease administrative burdens faced over the course of the pandemic. These changes allow OHCS to streamline program requirements, procurement process, and rulemaking to assure staff time is focused on activities that advance housing outcomes for Oregonians. We are also increasing coordination with partners at the Department of Administrative Services and the Department of Justice to bring a whole of government approach to Oregon's housing crisis.

Vice-Chair Morgan asked, with the context of the economic forecast, what OHCS is doing to streamline how we pay for it all and deliver resources to Oregonians?

There simply are not enough resources to meet the needs across the housing continuum. OHCS' requested budget proposes a balance of investments to address the supply challenges, advance



homeownership opportunities, and address the humanitarian crisis of homelessness on Oregon’s streets. It’s also vital that we work efficiently and effectively to get resources to those in need. OHCS invested in existing programs that have been refined and continually approved to do just that,

Lastly, OHCS budget requests is limited to housing investments within OHCS mission. We recognize that needs are grave across the state enterprise to improve schools, support families and local communities, support transportation, and meet other needs. The Governor’s Recommended Budget will balance those needs and be presented to the Legislature. Ultimately, the legislative body has the momentous responsibility to draft the 2023-25 state budget.

Rep. Zika inquired about our housing investments, specifically the agencywide package, and if we are partnering with the Secretary of State?

OHCS proposed investments in our agencywide Policy Option Package that will support activities across the state. This includes a few key strategies listed below. Additional information on this investment is included on this [snapshot document](#).

- **Language Access:** This investment will increase translation and language accessibility efforts within OHCS, including funding an assessment of current efforts to identify agency and grantee barriers and determine additional tools, processes and resources needed. OHCS has been intentional about expanding language access work with additional staffing approved by the Legislature and through collaboration with other agencies. In 2021, HB 3021 established the Translation Advisory Council within the Secretary of State’s Office. OHCS is represented on the Council by a member of our Homeownership Division. The agency will continue to stay up to date with the best practices recommended around language access, and purposeful investments will expand this work.
- **Training and Technical Assistance:** OHCS recognizes the need to strengthen our social safety net by supporting organizations delivering services. This investment will provide capacity building through targeted support, resources, and/or activities to community-based organizations (CBOs) and Tribal partners focused on a multitude of specialized services, skills, and training, as well as supporting local governments. This includes CBOs and Tribal partners who currently partner with OHCS or would like to partner in the future, and who are providing housing stability, housing development, homeownership supports, and services. OHCS recognizes rural providers and culturally specific providers could benefit from grant writing skill building as well as expanded knowledge of fiscal and contracting requirements, reporting, ongoing fund management, bookkeeping strategies for multiple government grants.

Rep. Zika asked about OHCS’ Down Payment Assistance (DPA) investment request, is this addition to Individual Development Account (IDA) or working in tandem?

We know that many Oregonians need more than one resource to make a complete down payment. On average, OHCS DPA recipients need at least one additional source of \$25,918 to cover their down payment. From July 2020 to March 2022, out of 411 DPA clients, 108 used an IDA as well. This Down Payment Assistance (DPA) resource is designed to be paired with OHCS’ lending products, the Oregon Residential Bond Loan Program (ORBLP) and Flex Lending. Flex Lending allows for the stacking of DPA resources, IDA savers will be able to use the DPA funds that exist in connection with the program to layer and stretch resources farther. ORBLP does not currently have program specific OHCS DPA funds



are used in connection with the lending product. We allow other DPA sources or IDAs to be used with bond program.

An IDA is a matched savings account, where the money a low-income Oregonian saves is multiplied by IDA match money to help them achieve a goal. IDAs offer a holistic solution that can help households address their complex financial lives, overcome emergency challenges, protect employment and income, and invest in wealth-building assets. IDA savers also work towards defined goals beyond homeownership, including small enterprises, education, and more.

Rep. Zika asked why affordable housing preservation resources are increasing with \$175M requested versus smaller requests made this biennium; what do we get for that, why so much?

OHCS brings forward an ask for preservation resources of \$175 million, in line with what the agency is deploying this biennium. OHCS received \$100 million for preservation during the 2021 legislative session, though \$40 million was included in the Governor’s Recommend Budget, and an additional \$65 million during the 2022 legislative session, totaling \$165 million. The resources OHCS received this biennium have been used to support housing preventions in a few keyways:

- Resources to-date have addressed critical life, safe, health needs for 1,433 affordable homes in 16 developments, with another round of funding open for application now. OHCS anticipates that the current application, which closes next week, will receive applications beyond the resources available, which may mean lost housing.
- Preservation resources have ensured two manufactured home parks are preserved with several applications currently under review.
- We currently have a fund offering open with approximately \$64 million in preservation resources. Needs dwarf resources, as OHCS has received pre-applications from 21 developments with 1,794 affordable homes requesting nearly \$144 million in resources.

It is critical for the state to continue to invest in supporting preservation given the current deficit of affordable rental housing; any loss through expiry of affordability periods or physical condition issues will exacerbate current gaps in the market and destabilize low-income Oregonians. OHCS’ \$175 million investment request will support these efforts in multiple ways.

- **Expiration of Contractual Affordability Periods:** The state has taken critical steps to supporting preservation needs by building regulations around noticing and providing rights of first refusal to have properties being sold retain affordability – without connecting those regulations into funding resources the efforts will be an unfunded strategy and will not be impactful in preserving this housing portfolio:
 - As proposed \$100 million of the requested resources would go to supporting preservation needs to secure vulnerable properties.
 - In the next five years there are 2,174 affordable homes in 34 developments that will face the expiration of their affordability periods if not preserved; in 10 years that grows to 3,478 affordable homes in 55 developments or manufactured home parks and an additional 22 developments in the USDA / Rural Development portfolio with 428 affordable homes, of which 297 have project-based rent assistance.¹

¹ These statistics do not include expiring projects in OHCS portfolio that have approved funding, or the Assisted Living Facilities (ALF), group homes and shelters.

- Even those properties with ownership that is committed to retaining affordability require rehabilitation and refinancing to continue operations.
- **Physical and/or Financial Risk:** In addition to expiration, some developments experience physical and financial challenges that broadly impact their ability to continue housing Oregonians. The industry has seen dramatic increases in operational costs, from staffing through insurance and more. The Portfolio Stabilization Preservation Fund steps in when there is imminent and urgent needs to provide financial assistance to avoid closure or extreme rent increases for low- and fixed-income families residing in affordable housing.
 - OHCS compliance includes an asset management group that identifies challenges and supports property improvement plans to ensure ongoing operations. Often, property repair and maintenance priorities compete with other expense priorities (increase cost of management staff, inoperable appliances/systems, supplies, insurance, etc.), and get put off for a time when cash flow is ‘expected’ to improve. When increasing costs outpace rent revenue growth, property upkeep stalls and deterioration accelerates. OHCS aims to provide support through smaller investments before the serious deterioration requires a comprehensive rehabilitation. This has the added benefit of providing preservation through the extension of affordability periods.
 - The state rent increase limit of 14.6% in 2023 is untenable for low- and fixed-income residents in affordable rental housing. Without resources to uplift state support of critical needs, landlords will resort to rent increases and we could see increasing numbers of tenant destabilized.
- **Manufactured Home Parks:** These preservation resources have also supported the acquisition of manufactured homes parks, which are a naturally occurring source of affordable housing and affordable homeownership opportunities. These sites are routinely at risk of market conversion and site redevelopment to build fixed housing.
- **Federal Rent Assistance Expiration:** OHCS has also used preservation resources to help acquire privately owned housing that hold rental assistance contracts nearing expiration from HUD and USDA-Rural Development. If the rental assistance contract expires, the affordability of the homes is lost unless the development is acquired and preserved as affordable housing.

Time is of the essence. The federal Low Income Housing Tax Credit (LIHTC) program was established in the 1990s and has funded a great deal of developments across the state, those developments were established with 30-year affordability terms. As we have passed the 30-year affordability period, properties may convert to market rate and displace residents. This pattern will continue, which is driven OHCS to expand our preservation efforts and establish a new preservation program manager position to design and oversee a coordinated strategy. OHCS has also proactively addressed this issue by expanding affordability periods to 60-years for all LIHTC developments and include longer periods on state funded programs.

Rep. Zika requested a copy of LC 550 for the record:

OHCS has posted information about our 2023 Draft Legislative Agenda on the [Government Relations website](#). Below are direct links to bills, budget summaries, and other helpful information. The website also includes staff contact information, summaries of surveys, documentation on how OHCS incorporated feedback into the agenda, webinar materials, and more. We encourage all interested to dig in!



- [LC 550: Statute Clean Up](#)
- [LC 554: Mixed Income Housing Developments](#)
- [LC 555: Private Activity Bonds \(PAB\) for Affordable Housing](#)
- [LC 558: Supporting Housing Recovery After Disasters](#)
- [LC 560: Manufactured Housing Dispute Resolution and Legal Aid](#)
- [LC 562: Homelessness Placeholder](#)
- [OHCS 2023-25 Agency Request Budget Snapshot](#)
- [OHCS 2023 Draft Legislative Agenda Memo](#)

We look forward to working with this committee and the Legislature in the 2023 session as we work collectively to advance housing solutions. Please reach out if you have any questions.

In partnership,

Nicole Stingh
Assistant Director of Government Relations
Oregon Housing and Community Services

