

## SB 1557

### Frequently Asked Questions

February 7, 2022

#### **What incentives are in place to prevent affordable housing from converting to market rate rentals?**

Over the last fifteen years, the State Legislature has committed nearly \$200 million in lottery bonds and General Fund dollars to support the purchase, rehabilitation and long-term preservation of existing affordable housing. OHCS administers funding to affordable housing providers to purchase expiring affordable housing projects and agree to renew contracts and secure other resources needed to rehabilitate and renovate properties. The state's investments have helped preserve over 15,000 affordable rental homes since 2007.

As a result of these investments and programs, preservation focused affordable housing developers have purchased hundreds of existing affordable housing buildings. Most of these buildings come with federal project based rental assistance contracts. Affordable housing developers renovate and rehabilitate the apartment homes so they can provide up to 60 years of additional affordability in communities across Oregon. This is common with older affordable housing properties financed through USDA Rural Development and US Department of Housing and Urban Development (HUD). The efforts to maintain USDA Rural Development or HUD financed affordable housing has been extremely successful. A significant percentage of those units have been retained as affordable housing, while relatively few were lost.

SB 1557 seeks to address a new problem. At the end of 2020, we saw the first property financed with Low Income Housing Tax Credits (LIHTC) reach the end of their 30-year affordability period, and transition to market rate housing. Without any advanced warning, residents at the Woodspring Apartments in Tigard received a notice that the owner had chosen not to renew the subsidy. Across the state, advocates are increasingly concerned about larger buildings financed with LIHTCs being at greater risk of conversion to market rate housing.

Unlike other federal subsidy programs, residents of expired LIHTC project do not have any federal protections from large rent increases when they transition to market rate housing. The residents are protected by Oregon's SB 608 (2019)<sup>1</sup>, but the allowed level rent increases under SB 608 will likely displace residents with low incomes quickly.

#### **What has the state done to prevent the loss of affordable housing?**

OHCS offers competitive funding each year to target the preservation of existing affordable housing. For example, during the 2022-23 biennium, OHCS will offer 13 funding opportunities for preservation projects. In addition to these financial incentives, the Legislature passed several bills in order to minimize this risk. HB 2002 (2017, 2019) put in place both notice requirements and a right of first refusal for these properties. The right of first refusal allows either the local jurisdiction or a designated affordable housing provider to work to purchase the property before it can be offered on the open market. OHCS is [maintaining a list of properties](#) at risk of conversion or loss.

#### **Why were Washington County and Salem chosen as the locations for the pilot program?**

This pilot program is designed to support residents of affordable housing whose use restrictions have expired. There are currently only two buildings in the state financed by Low Income Housing Tax Credits

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<sup>1</sup> <https://olis.oregonlegislature.gov/liz/2019R1/Measures/Overview/SB608>

(LIHTC) whose restrictions have expired – one in Washington County, and one in Salem – although additional properties will follow. This pilot project prioritizes protecting tenants at greatest risk of displacement.

In Washington County, the property – Woodspring Apartments – is a 172 unit building in Tigard which is primarily home to seniors and people with disabilities. The loss of this affordable housing represents one-fifth of Tigard’s affordable housing<sup>2</sup>. In Salem, the property – Orchard Park Apartments – is a 224-unit building. The people who call these two buildings home are at immediate risk of rent increases and displacement, and other buildings could be next. Every effort is being made to prevent the expiration of use restrictions at other LIHTC funded buildings. If there are future properties that face the same fate as Woodspring Apartments and Orchard Park Apartments we hope this pilot project becomes a model we can use to avoid displacement of tenants with low incomes who live in those homes.

### **What is OHCS’s role in the pilot?**

The bill is intentionally structured as a pilot in which OHCS’s role will be to distribute resources to the Public Housing Authorities in Salem and Washington County, and then support the submission of a report to the Legislature.

### **Are expiring affordable housing projects subject to limits passed in 2019 under SB 608?**

Current and former affordable housing properties are subjects to annual limits on rent increases under SB 608 (2019)<sup>3</sup> and HB 3113 (2021)<sup>4</sup>. In 2022 those increases will be capped at 9.9%<sup>5</sup>. With inflation currently running at 7%, the maximum increase in 2023 will likely be in the double digits. Residents on fixed incomes simply cannot absorb rent increases that high year over year as this housing transitions to market rate. Without the assistance provided by SB 1557, residents in transitioning properties may also face strong pressure from owners to move since rents can be increased to market on turnover.

### **How long would people benefit from this assistance?**

The current bill (SB 1557) is structured as a pilot program that is set to sunset on January 2, 2024. Advocates believe the 2023 Legislature should consider making this program permanent. In that scenario, a tenant would benefit from this assistance as long as they stay in the unit.

For residents of affordable housing, the length of stay for someone can vary significantly. For a family with children, they are likely to stay only a few years before transitioning to new housing and moving to accommodate school or work. For a senior or a person with a disability, they may stay longer.

According to data from HUD/Census Bureau American Housing Survey, one-third of renter-households move after one year of residency, half have moved after two years, and two-thirds have moved after three years. For residents in Low Income Housing Tax Credit properties, the average turnover rate per year is studied to have been between 20% and 37%<sup>6</sup>. Both the Salem Housing Authority and Washington County Housing Authority expect a slightly lower turnover rate because of the tight rental market.

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<sup>2</sup> <https://www.opb.org/article/2021/06/15/tigard-oregon-poised-to-lose-one-fifth-of-its-affordable-housing/>

<sup>3</sup> <https://olis.oregonlegislature.gov/liz/2019R1/Measures/Overview/SB608>

<sup>4</sup> <https://olis.oregonlegislature.gov/liz/2021R1/Measures/Overview/HB3113>

<sup>5</sup> <https://www.oregon.gov/das/OEA/pages/rent-stabilization.aspx>

<sup>6</sup> <https://eyeonhousing.org/2020/07/2020-affordable-credit-estimates/>

**What is the other preservation focused bill this session?**

This session, the Legislature is considering HB 4043<sup>7</sup>, a preservation tax credit that offers incentives to owners who sell their property to someone willing to preserve it as affordable housing for a minimum of thirty years. The bill is designed to provide assistance with the taxes due at sale as an incentive for an owner to sell to someone who intends to maintain the housing as affordable. This proposal is modeled after a successful state program that provides a capital gains tax exemption to incentivize the sale of manufactured home parks to buyers who intend to preserve them as affordable housing.

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<sup>7</sup> <https://olis.oregonlegislature.gov/liz/2022R1/Measures/Overview/HB4043>

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