



725 SUMMER STREET NE, SUITE B | SALEM, OR 97301
503-986-2000 | www.oregon.gov/OHCS

March 1, 2022

RE: Support for Housing Investments, HB 5202

Co-Chairs Girod and Holvey, Members of the Subcommittee On Capital Construction:

Oregon Housing and Community Services is pleased to see continued historic investments in housing solutions included in HB 5202. Like other economic downturns, the COVID economic fallout has disproportionately impacted low-income Oregonians, particularly BIPOC communities. At the same time, Oregon continues to have record revenue as high-income earners have not been as impacted by the economic fallout of COVID. Governor Kate Brown proposed dedicating a significant portion of this historic revenue to support low-income communities that have been devastated by COVID and to address one of Oregon's most prolonged challenges: our housing crisis. OHCS is grateful that the legislative package includes many of these investments.

Oregon's Housing Needs Analysis found that the state must develop 140,000 homes over the next twenty years, and we cannot afford to lose existing affordable housing as we open new doors. Oregon's housing crisis is supply driven, and the primary solutions to end homelessness is for individuals and families to have keys to have safe, decent, and affordable place to call home. Our housing crisis demands continued investments to develop more affordable homes and preserve existing housing. At the same time, Oregonians who are struggling need more support, and there are additional recovery needs to help stabilize Oregon families and prepare communities for the next economic crisis. In total, nearly \$300 million is coming to OHCS to address Oregonian's housing needs across the continuum:

- \$80.5M to prevent and address homelessness and increase coordination of homeless resources across systems
- \$65M to preserve existing affordable housing by making life and safety repairs or extending the affordability period
- \$50M to address cost escalation for affordable housing developments that have been awarded funds by OHCS
- \$35M to construct new affordable homes for rent
- \$20M to construct new affordable homes for purchase
- \$20M to acquire and preserve manufactured home parks
- \$10M to support land acquisition for affordable housing
- \$15M to support Oregon's homeowners navigate the end of the foreclosure moratorium and provide additional counseling and support to manufacturers homeowners

It's no surprise that OHCS has grown exponentially in recent years. As the state's investments in housing solutions have tripled since 2017, the unique number of programs OHCS operates has more than doubled. We're in the process of doubling our staff to support program delivery in a way that aligns with our values, facilitates meaningful outcomes, and builds on existing OHCS program infrastructure. As experienced across sectors, OHCS is not exempt from the nation's labor shortage. Our capacity constraints were considered as OHCS, the Governor's Office, and legislative leadership designed housing investments included in the \$400M housing package.



\$80M State Homelessness Response and Prevention

These funds will support homelessness response and prevention efforts delivered through existing OHCS programs and community partners, detailed below. OHCS quickly put together these investments in the last few weeks in conversations with Rep. Fahey and Sen. Jama. These investments increase resources for existing programs on the ground or currently in the design phase.

We must note that implementation of these investments will be impacted by limited procurement and DOJ capacity for mandatory legal sufficiency review and process bottleneck issues, and other staffing needs as OHCS is not receiving additional staff associated with this investment as requested. OHCS' procurement team is operating at roughly 50% capacity and has been gravely impacted by Oregon's labor shortage, despite ongoing support from the Governor's Office. While OHCS cannot provide a timeline for distribution of these funds at this point, be assured that OHCS will continue to exhaust any viable pathways for distributing these funds as quickly as we can while following state procurement guidelines.

Additionally, organizations may struggle to scale up and sustainably meet the needs of their communities with one-time funds. For these resources to make a sustainable impact in community and support an equitable recovery, providers will need year over year investments. OHCS continues to hear concerns from providers that accepting one-time funds requires initial rapid staff growth only to have to let them go once these dollars expire. We hope to set expectations on the outset: the \$80M is a startup fund that will need ongoing resources to drive our shared outcomes of reducing homelessness and supporting Oregonians experiencing homelessness. As OHCS develops our Agency Request Budget for the 2023-35 biennium, we will take this into account.

- **Homeless Prevention Investments - \$30 million set aside**
 - The Oregon Eviction Diversion and Prevention Program provides flexible resources such as rental and other financial assistance, legal services, navigation, and mediation.
 - Additional funds will be provided to the Emergency Housing Account, supporting homeless prevention and services.
 - The Oregon Worker Relief Coalition to provide flexible funds for homelessness assistance and prevention.
- **Homeless Services Investments - \$50 million set aside**
 - The Out of the Cold program for shelter support, street outreach, move in costs and short-term rental assistance, provided through Community Action Agencies with coordination with other community-based organizations.
 - State resources will supplant Emergency Solutions Grants – Coronavirus Relief (ESG-CV) grants to community-based organizations and Community Action Agencies to ensure programs can operate through next shelter season. ESG-CV funds expire in September 2022, and state funds will allow operational expenses through June 2023.
 - Resources will provide other shelter support, including operating funds to properties developed through Project Turnkey, extending funds to navigation centers, to youth homelessness providers, shelter medical respite models, and more.

\$500,000 State Homelessness Response Coordination Infrastructure

With this \$500,000 investment the Legislature will fund the development of an Interagency Council on Homelessness, a recommendation of the Task Force on Homelessness and Racial Disparities. OHCS will hire a senior policy staff person to coordinate, analyze, and prioritize homelessness responses between state agencies and local partners, and to support the Interagency Council on Homelessness. Approximately half of this investment will also be used to support Built for Zero, a collaborative service to help communities establish and implement action plans to reduce and eliminate homelessness.

\$65M Investment for the Preservation and Improvement of Publicly Funded Affordable Housing

OHCS was careful in developing the Governor's initial \$400M package to propose investments that minimized uncertainty around OHCS and provider capacity while making prudent uses of one-time funds. Affordable housing preservation is an ideal place to make a significant impact with one-time funds this session. The agency prioritizes preservation because the need is great to protect affordable homes expiring from affordability regulations, more than 8,000 affordable homes will have their regulations expire in the next 8 years. Also, many affordable housing developments across Oregon are in dire need of life and safety repairs. These funds will be added to upcoming offerings already planned and approved by Oregon's Housing Stability Council to allow OHCS to preserve more housing across the state.

\$50M Affordable Housing Developments Funding Gaps

The Legislature allocated \$5M for pricing and construction increases. Increases have caused funding gaps outside of a development's control, but resources allocated last year were quickly subscribed, even after OHCS added over \$10M in federal low-income housing tax credits and more than \$12M in other OHCS gap resources. Even still, OHCS had to turn away projects in need and only provided funds to 2019 and 2020 funded developments; the need is much greater, especially when considering gaps from 2021 funded developments and ongoing cost escalation. Additional funds would revive the out-spent program to address the pressing construction gaps in light of accelerating cost and today's markets. These resources could allow 15-20 projects representing 1,500 to 2,200 affordable homes with funding gaps to move forward with construction.

\$35M Developing Affordable Rental Housing

Across the states, Oregonians struggle to find rental homes that they can afford. These funds would be added to the upcoming Small Projects Notice of Funding Availability, allowing more affordable rental housing with a larger percentage dedicated to rural areas of the state. This will likely generate around 175 additional affordable homes.

\$20M Developing Affordable Homes for Purchase

OHCS will add and layer this funding into the upcoming Local Innovation Fast Track (LIFT) Homeownership Notice of Funding Availability. The LIFT funding source, Article XI-Q bonds, limit award amounts which impacts the ability to develop LIFT Homeownership homes in rural areas or develop at scale in urban communities. OHCS will structure these resources with the support of our Housing Stability Council with the goal of increasing LIFT's ability to serve rural areas and allow for greater density in urban areas.



\$20M Manufactured Housing Parks Acquisition

OHCS has set aside \$25M in preservation resources allocated in the 2021 session to preserve manufactured homes parks. In working with OHCS stakeholders, we understand that there are over \$25M in parks that are ready to apply for this long-term financing to secure properties. This would mean that the current resources allocated will be fully obligated within the next 3 months. Additional legislative resources will allow another 3-5 parks to be acquired and preserved, creating or preserving approximately 200-425 affordable homes.

\$10M Investment for Land Acquisition for Affordable Housing

These funds will allow developments to secure their land while their financing experiences delays related to the changing financial landscape and volatility of the market. This is a minor expansion of the existing Land Acquisition Program to preserve the current pipeline; timelines will be moving for projects as the 4% Low Income Housing Tax Credit program becomes competitive and funds will be used to bridge the delay and mediate additional cost increases. We estimate this investment could be used to stabilize 4-6 developments that will create approximately 400-480 affordable homes.

\$15M Homeownership Support

OHCS will provide resources to organizations serving struggling homeowners. Funds may be used for operation capacity, technology and software needs, pandemic-related costs or upgrades, and expenses for homeownership centers, for manufactured homeowner counseling, nonprofits serving low-income homeowners, and to expand outreach, mediation services, and marketing associated with manufactured housing Community Dispute Resolution Centers. OHCS will strive to make these resources as a flexible as possible, while working within capacity and procurement constraints. This means funds may be deployed through two smaller rounds to partner organizations. As with the homelessness investments, procurement and DOJ will be a significant constraint on OHCS' ability to roll out dollars immediately.

\$50M Round Two of Project Turnkey

These funds will go to the Oregon Community Foundation via DAS. OHCS is eager to see additional investments in this innovative program to quickly acquire properties to use as shelter for Oregonians experiencing homelessness. While OHCS will not administer or monitor the use of the \$50M investment in capital funds, the agency will provide program monitoring through operational funds. OHCS plans on using a portion of the \$80M investment in homeless prevention and services to fund the operation of Project Turnkey developments. OHCS staff will continue to serve on the Oregon Community Foundation's advisory committee and partner with OCF on the implantation of the program.

OHCS remains grateful to Governor Kate Brown for her \$400M housing proposal and to legislative leadership for considering OHCS' capacity constraints when developing this package. Despite this collaboration, OHCS will have capacity barriers in delivering resources to our on the ground providers. We are eager to get resources to those in need, and we will do everything in our power to deploy funding in a timely manner. OHCS is preparing to deploy these new investments alongside resources from the 2021 session, the December 2021 special session, and historic federal emergency response programs, including the Community Development Block Grant Disaster Recovery. At the same time, the agency's procurement staff are operating with roughly 50% of needed capacity in terms of staffing,



despite ongoing recruitment efforts from OHCS leadership, the Governor’s Chief of Staff, and agency partners. OHCS will have unique capacity constraints to overcome.

As a mission driven state agency, we are incredibly proud to have legislative leadership that values prioritizing these critical investments towards the humanitarian crisis of homelessness and lack of affordable housing. The last couple of years have reaffirmed just how important affordable housing is and its role in one’s well-being. OHCS is entering a phase of exponential growth—which includes increased staff, increased resources and diversifying the continuum of how we are in service to the people of Oregon. At this moment in time, we are still early in our phase of growth in terms of adequate staff capacity. It remains OHCS’ top priority, and we are actively deploying a range of creative solutions on this front. Amidst our current phase of growth, we remain committed to timely services to Oregonians.

In partnership,
Andrea Bell
Acting Executive Director

