OREGON HOUSING AND COMMUNITY SERVICES

Update on Affordable Housing Preservation



Michael Parkhurst, Policy and Initiatives Manager, Affordable Rental Housing Division May 30, 2024 Senate Interim Committee On Housing and Development



Today's presentation

- Refresher on the OHCS Preservation Strategy Framework
- Overview of affordable housing preservation needs in Oregon
- Status of implementation and funding approach for 2024
- Next steps
- Q&A





Why Focus on Preservation?

- Structural challenge = all properties require periodic major rehab / recapitalization, but affordable properties by design don't generate a surplus to fund that
- If we can't keep up with preservation, we may lose affordable housing supply even while we build new units
- Significant impact to tenants when affordability is lost
- Preservation usually costs less than new construction





National Trends Impacting Preservation

- Rising operating costs, especially insurance, security but also labor and materials across the board
- Higher interest rates
- Lower rent collections





Guiding Focus/Definition

Protecting the most vulnerable tenants by making sure existing rent-restricted rental housing stays affordable and wellmaintained over the long term







2023 Preservation Framework

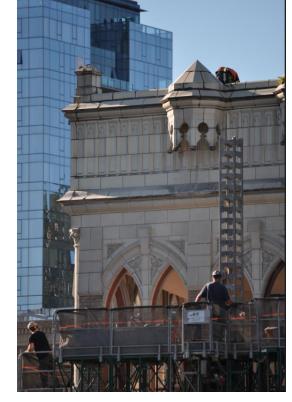
- Articulates a clear rationale for sustained investment in preservation and forecasts the need over the next 10+ years
- Defines what preservation means for OHCS
- Establishes high-level goals, including commitment to equity and racial justice
- Clarifies how OHCS will approach prioritizing resources available for preservation
- Helps inform partners' planning around asset management and preservation





Four Main categories of Preservation

- 1) Projects with expiring federal rent assistance
- 2) Projects with expiring rent restrictions
- 3) Affordable properties at risk of loss due to urgent physical or financial challenges
- 4) Manufactured home parks owned by a nonprofit or resident cooperative



Chaucer Court, Portland, OR





Federal Project-Based Rent Assistance

Projects statewide with expiring federal contracts:

	Next 5 Years	Next 10 Years
Projects	47	88
Total Units	1,363	2,581
Estimated Cost to Acquire + Rehab*	\$120m-\$150m	\$230m-\$280m

^{*} Rough estimate based on recent projects





Projects With Expiring Rent Restrictions

Projects statewide that will lose affordability restrictions:

	Next 5 Years	Next 10 Years
Projects	33	94
Total Units	2,289	5,838
Estimated Cost to Acquire + Rehab*	\$230m - \$290m	\$ 580m - \$730m

^{*} Rough estimate based on recent projects





Risk of Loss: Physical/Financial Challenges

Known projects statewide with significant deferred rehab and/or operational challenges:

- 1) Public housing authority-owned properties overdue for rehab, and/or planned for recapitalization as part of the HUD RAD program (30 or so totaling more than 1,500 units)
- 2) Aging affordable properties owned by nonprofit partners with serious rehab needs (nearly 90, more than 5,000 units)
- 3) Projects we don't have data on = ??





2024 Funding Priorities

\$50 million available this year through the new Oregon Combined Application (ORCA) process:

- \$10 million for At Risk: Project Based Rent Assistance
- \$30 million for At Risk: Physical and Financial Challenges
- \$10 million for Portfolio Stabilization (funding of last resort for projects at imminent risk of loss)

Note: Given the size of investments needed for the purchase and preservation of expiring projects, these projects have often relied in the past on the leverage of Low Income Housing Tax Credits which are not available this year. As a result, we have chosen to focus 2024 preservation funding toward critical physical and financial portfolio risks. Expirations will be a significant priority in future funding rounds once those Tax Credits are available again.



Prioritizing Resources: Focus on Risk to Tenants

Knowing we are likely to be significantly oversubscribed in those three categories, OHCS adopted a prioritization framework that prioritizes:

- Imminence of loss how urgent and credible is the risk to the property
- Affordable properties owned by culturally specific and/or culturally responsive organizations
- Properties with a high percentage of vulnerable tenants (those with a severe rent burden and other factors affecting ability to access other housing)



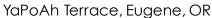
Communities with the most severe shortage of other affordable options



Beyond Resource Priorities: Preservation-Related Policy Areas

- Improving PuSH process, including dedicated resources for acquisition, notifications to tenants, right of first refusal process, etc.
- Training and technical assistance for partners active in preservation, and strengthening the field of asset management generally
- Sustainability and "green-building" standards in preservation projects
- Anticipating preservation impacts of new and emerging programs
- Balancing needs of rural and urban communities









Equity and Racial Justice

- Tenants: Measuring and tracking how preservation efforts benefit the housing stability of Black, Indigenous, and people of color tenants
- Supporting culturally specific housing organizations in maintaining the affordability and viability of their portfolios
- Minority, Women-owned, Emerging Small Business: Using preservation as a lever to help build a more diverse development and construction workforce
 - Property Management: Skilled and culturally responsive property management a key factor in residents' housing stability



Nyssa Court, Nyssa, OR



