

ANALYSIS

Item 27: Housing and Community Services Department Expenditure Alignment

Analyst: Michelle Deister

Request: Increase Other Funds expenditure limitation by \$39,671,236 and increase Federal Funds expenditure limitation by \$105,585,695 for the Housing and Community Services Department to align available funding with expected agency expenditures.

Analysis: The Housing and Community Services Department (HCSD) requires additional Other Funds expenditure limitation to carry forward expenditure authority approved in the 2023-25 biennium for housing development projects and downpayment assistance. Additional Federal Funds expenditure limitation is required for HCSD to carry forward 2023-25 expenditure authority for disaster recovery and weatherization programs that were not included in the 2025-27 legislatively adopted budget.

An Other Funds expenditure limitation increase of \$24.4 million is requested for the Housing Development Incubator Program, which is paired with Low Income Fast Track (LIFT) housing program bond proceeds to further subsidize the development of new affordable homes for ownership. The funding for the request consists of the balance of \$20 million General Fund approved in the 2023-25 biennium, and \$4.4 million that remains from \$40 million originally appropriated in 2021-23. These General Fund amounts were deposited into accounts for expenditure as Other Funds, which also allows them to be carried forward into future biennia if they are not fully expended. All balances for this program have been obligated to projects which were approved in a previous biennium, with construction expected to be completed in 2025-27.

A total of \$13.4 million Other Funds expenditure limitation is being requested for HCSD's Down Payment Assistance program, augmenting the existing \$3.9 million in the 2025-27 legislatively adopted budget. Revenue supporting the request comes from funds remaining from a 2021-23 General Fund appropriation of \$20 million, and \$12.5 million General Fund appropriated in 2023-25. These appropriations were deposited into the Housing Finance Account for expenditure as Other Funds. HCSD has created new loan products to respond to market conditions, and the majority of funding will come back to HCSD as low interest second mortgage loan repayments, which can then be reutilized as down payment assistance in future biennia. HCSD anticipates that all down payment assistance funds will be disbursed by the winter of 2027, based on recent monthly down payment assistance expenditures of approximately \$1 million per month.

HCSD has identified \$1.9 million in revenue attributable to loan repayments and interest associated with the agency's Community Incentive Fund, which was created in 2001 to provide gap financing by granting and loaning lottery bond proceeds for affordable rental housing projects. Additional Other Funds expenditure limitation of \$1.9 million will augment available financing for affordable rental housing projects.

Additional Federal Funds expenditure limitation of \$32.6 million is requested for one-time funding received in 2021 from the HOME Investment Partnerships American Rescue Plan Program (HOME-ARP) for development of housing for those experiencing or at risk of homelessness, with expenditures required to be made by September 30, 2030. Funds have been committed to three construction projects that will create 67 new units. Expenditure limitation was phased out when developing the 2025-27 budget, but should have been carried forward to enable disbursement of the funds in the current biennium.

The 2025-27 legislatively adopted budget for HCSD includes \$115 million Federal Funds expenditure limitation for low-income housing weatherization funding. An additional \$15 million is requested to allow for expenditure of these U.S. Department of Energy formula grant funds. HCSD has until June 30, 2029, to expend the grant, with an expected \$6.7 million balance anticipated to be carried forward into the 2027-29 biennium.

Finally, \$58 million in Federal Funds expenditure limitation is associated with agency administration of the Community Development Block Grant - Disaster Recovery (CDBG-DR), which was funding Oregon received in response to the 2020 wildfires. The Department received \$422 million, and anticipated spending \$140.1 million in 2023-25 but only expended \$55 million. HCSD's 2025-27 legislatively adopted budget included \$167.4 million in limitation; however, updated expenditure estimates for the current biennium total \$225.4 million. HCSD projects there will be an estimated balance of \$141.6 million from the grant at the end of the 2025-27 biennium, which the agency has until February 2029 to spend.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend increasing Other Funds Expenditure limitation by \$39,671,236, and increasing Federal Funds expenditure limitation by \$105,585,695, for the Housing and Community Services Department, in a budget reconciliation bill during the 2026 legislative session to align available funding with expected agency expenditures.

Request: Increase Other Funds expenditure limitation by \$39,671,236 and Federal Funds expenditure limitation by \$105,585,695 to expend cash balances identified subsequent to the 2025 Legislative Session on housing-related projects began in the 2023-25 biennium.

Recommendation: Approve the request during the 2026 Legislative Session.

Discussion: The Oregon Housing and Community Services (OHCS) seeks legislative approval for a one-time increase in expenditure limitations for both Other Funds and Federal Funds to complete housing-related projects originally obligated in the 2023–25 biennium but scheduled for completion in 2025–27. The request totals \$39.7 million Other Funds and \$105.6 million Federal Funds, covering multiple housing programs critical to affordability, stability, and disaster recovery.

During a post-session review, subsequent to the development of the legislatively adopted budget (LAB), OHCS identified cash balances from prior biennium commitments for which the agency needs legislatively approved expenditure authority before completing housing-related projects. Additionally, requirements for federal compliance and a delay in program implementation during the 2023-25 biennium pushed expenditures into the current biennium. Despite historic investments, housing affordability and homelessness remain pressing challenges. OHCS emphasizes that these funds are essential to fulfill commitments and maintain momentum in addressing Oregon’s housing crisis. Approval of these requests will allow OHCS to complete projects planned and obligated in prior biennia and help to maintain housing stability and affordability for thousands of Oregonians. This request represents a technical adjustment rather than a new investment. It uses existing revenues discovered through the post-session review to deliver on commitments, sustain housing progress, and address urgent needs in affordability, disaster recovery, and energy efficiency.

Programs Impacted:

1. HOME-ARPA Program (\$32.6 million Federal Funds): Supports affordable rental housing, rental assistance, and homelessness reduction. Federal requirements delayed implementation; funds are now fully obligated.
2. Housing Development Incubator Program (\$24.4 million Other Funds): Provides funding to developers for affordable housing projects. A remaining cash balance from prior transfers of General Fund into Other Fund accounts requires limitation to expend.
3. Down Payment Assistance (\$13.4 million Other Funds): Enables approximately 1,000 additional loans and grants, supporting homeownership growth. Recent product launches in November 2024 drove up demand.

4. Disaster Recovery and Resilience (\$58 million Federal Funds): Community Development Block Grant - Disaster Recovery (CDBG-DR) provides funding for the program. This program has recently ramped up after initial implementation.
5. DOE Weatherization Grant (\$15 million Federal Funds): Improves energy efficiency for low-income households. This is an ongoing federal award, which began before 2015. An oversight during the OHCS agency request budget resulted in this not being included in the legislatively adopted budget.
6. Community Incentive Fund (\$1.9 million Other Funds): Supports affordable housing development. Funds remaining from prior biennium obligations and now anticipated as 2025-27 expenditures.

Legal Reference: Increase the Other Funds expenditure limitation established by chapter 584, section 2(3), Oregon Laws 2025, for the Oregon Housing and Community Services Multifamily Rental Housing Programs, by \$1,900,000 for the 2025-27 biennium.

Increase the Other Funds expenditure limitation established by chapter 584, section 2(4), Oregon Laws 2025, for the Oregon Housing and Community Services, Single Family Housing Programs, by \$37,771,236 for the 2025-27 biennium.

Increase the Federal Funds expenditure limitation established by chapter 584, section 4(1), Oregon Laws 2025 for Oregon Housing and Community Services, Housing Stabilization Programs, by \$15,000,000 for the 2025-27 biennium.

Increase the Federal Funds expenditure limitation established by chapter 584, section 4(3), Oregon Laws 2025, for Oregon Housing and Community Services, Multifamily Rental Housing Programs, by \$32,585,695 for the 2025-27 biennium.

Increase the Federal Funds expenditure limitation established by chapter 584, section 4(5), Oregon Laws 2025, for Oregon Housing and Community Services, Disaster Recovery and Resilience, by \$58,000,000 for the 2025-27 biennium.



Oregon

Tina Kotek, Governor

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December 8, 2025

Senator Kate Lieber, Co-Chair

Representative Tawna Sanchez, Co-Chair

Joint Interim Committee on Ways and Means

900 Court Street NE

H-178 State Capitol

Salem, OR 97301

Dear Co-Chairs:

Nature of the Request

Oregon Housing and Community Services (OHCS) respectfully requests an increase in Other Fund and Federal Fund expenditure limitation. For the following programs:

- Multifamily Rental Housing Programs (\$32,585,692 FF).
- Multifamily Rental Housing Programs (\$1,900,000 OF).
- Single Family Housing Programs (\$37,771,236 OF).
- Housing Stabilization Programs (\$15,000,000 FF).
- Disaster & Recovery Resiliency Programs (\$58,000,000 FF).

OHCS' budget team experienced a large turnover this year, and a post-session review by this team of funding available in the Legislative Adopted Budget identified projects obligated in the 2023-25 biennium but are projected to be completed in the 2025-27 biennium. There is a cash balance from the 2023-25 biennium for these commitments that requires one-time expenditure limitation to expend in the 2025-27 biennium, and corresponding revenue source limitation to recognize the cash available. This limitation is essential to support programmatic completion.

Agency Action

OHCS' role has evolved significantly over the past five years to transform into an agency that improves Oregonians' daily lives by advancing a broad housing-based agenda. There is

now wider recognition that housing and housing stability are core determinants of health and prosperity.

Housing affordability and homelessness still represent major challenges for many Oregonians, despite the historic investments in housing. The need is still greater than our resources allow. The support of the Oregon Legislature will ensure the investment of time and programmatic planning completed by our community partners during the 2023-25 biennium will be realized with the full implementation of projects. Completion dates for these projects are now identified to be in the 2025-27 biennium.

Approval of this request is needed to continue to support Oregonians needing assistance in finding affordable housing, accessing homeownership, or assisting people in housing crisis. Federal disinvestment in housing is a risk that could have dire consequences for the programs and services Oregonians rely on. State investments in housing programs that deliver clear and specific outcomes are more vital than ever

Home Investment Partnership American Rescue Plan Program (HOME-ARPA)

We request an increase of \$32,585,692 in Federal Fund limitation for HOME-ARPA. This funding is designed to serve households with other HUD federal programs. The program funding is allocated to support the development of affordable rental housing, tenant-based rental assistance, and supportive services to reduce homelessness.

To implement this program, it required navigating substantial federal requirements which delayed the implementation of the program. Those items have now been programmatically navigated and resolved. The programmatic funding is fully obligated, and expenditures will occur in the 2025-27 biennium. Limitation is requested in Multifamily Rental Assistance Programs (SCR 030). In the 2023-25 biennium there was an appropriation (64001) in Single Family Housing Programs (SCR 040) for this purpose in the Homeowners Assistance Programs. In the 2025-27 biennium appropriations have been established for each funding source in each SCR. For the 2025-27 biennium there is no current expenditure limitation in Multifamily Rental Assistance Programs (SCR 030) which will need to be established.

Housing Development Incubator Program (HDIP)

We request an increase of \$24,415,521 in Other Fund limitation for the HDIP. The program provides funding to developers to create new, affordable homes that respond to local housing needs and are accessible to communities in Oregon. In the 2023-25 biennium we

prioritized the use of Local Innovation and Fast Track (LIFT) funds. In the 2025-27 there is a cash balance of \$24,415,521 that expenditure limitation is required to expend. Funding originated during the 2023-25 biennium as General Fund to Other Fund transfer; this occurred as two separate transfers of \$20 million dollars each for a total of \$40 million. Projects may be funded from funds provided through a bond sale or HDIP, and then these funds are paired with LIFT funding for project completion. With the bond sale not yet occurring, the agency requests permission for the remaining cash balance expenditure limitation to enable programmatic completion for obligated projects. There is no current expenditure limitation in Single Family Housing Programs (SCR 040).

Down Payment Assistance (DPA)

We request an increase of \$13,355,715 in Other Fund limitation for the DPA program for \$13,355,715. There is currently no limitation available to expend this funding. These funds will be used to support approximately 1,000 additional DPA loans and grants in conjunction with the FirstHome/NextStep single-family lending programs. These are new product offerings launched on November 1, 2024, which were later than originally anticipated and contributed significantly to this unspent allocation. Since the launch of the new products, OHCS has provided homeownership loans to 891 Oregon households as of October 31, 2025, which totals \$281.7M in new mortgages. Of those, 524 households were provided with some form of DPA. This is an increase of roughly 58% in single-family mortgage originations, driven substantially by these new DPA offerings. There is no current expenditure limitation in Single Family Housing Programs (SCR 040).

Disaster Recovery and Resilience (HB5011)

We request an increase of \$58,000,000 in Federal Fund limitation for the Community Development Block Grant-Disaster Recovery (CDBG-DR). The source of this funding is a \$422 million dollar grant that spans multiple biennia. There was \$55 million expended in the 23-25 biennium. There is currently \$167,385,940 in Other Fund expenditure limitation for this biennium. This program took time to implement but has now ramped up program implementation and a total of \$225,385,940 in expenditures is anticipated in the 2025-27 biennium. We are requesting an additional \$58,000,000 in expenditure authority limitation for obligated programs from the Community Development Block Grant for Disaster Recovery and Resilience (SCR 060).

Department of Energy (DOE) Weatherization Federal Grant

We request an increase of \$15,000,000 in Federal Fund limitation necessary to utilize the available cash balance for weatherization energy assistance services. This funding is used to reduce energy costs for low-income households by increasing the energy efficiency of their homes, while ensuring their health and safety. This is a DOE Weatherization Federal Grant, and is in Fund number 6400, Appropriation number 64001. Implementation began before 2015, with the first draw down July 2014, this is an ongoing federal award. Providing the requested expenditure limitation will allow the use of funding in the 2025-27 biennium. Due to an oversight the request for limitation was inadvertently missed during the 2025-27 Legislative Adopted Budget planning process. There is no expenditure authority limitation to expend these funds in Housing Stabilization Programs (SCR 010), programmatically in Energy Services Programs.

Community Incentive Fund

We request an increase of \$1,900,000 in Other Fund limitation to expend the remaining cash balance from the 2023-25 biennium. This funding is used to provide affordable housing development. Without increased limitation the agency will not be able to expend these funds for obligations recognized in 2023-25 for those obligations which are now anticipated to be spent in 2025-27. There is no expenditure authority limitation to expend these funds in Multifamily Rental Housing Programs (SCR 030), and programmatically in Affordable Rental Housing Development.

Action Requested

OHCS respectfully requests one-time expenditure limitation increase. By providing this permission the legislature will further support housing and housing stability for Oregonians.

Legislation Affected

- Section 2(3) of chapter 584, Oregon Laws 2025 for Multifamily Rental Housing Program, for the Community Incentive Fund, Affordable Rental Housing Development \$1,900,000.
- Section 2(4) of chapter 584, Oregon Laws 2025 for Single Family Housing Programs, Down Payment Assistance with Flex Lending, \$13,355,715.

- Section 2(4) of chapter 584, Oregon Laws 2025 for Single Family Housing Programs, Housing Development Incubator Program, \$24,415,521.

Total Other Fund expenditure limitation increases requested, \$39,671,236

- Section 4(1) of chapter 584, Oregon Laws 2024 for Housing and Stabilization Programs, for the federal grant from the Department of Energy Low Income Weatherization Assistance Program, \$15,000,000.
- Section 4(3) of chapter 584, Oregon Laws for Multifamily Rental Housing Programs, for the HOME Investment Partnership American Rescue Plan Program \$32,585,695.
- Section 4(5) of chapter 584 for Disaster Recovery and Resilience for Community Development Block Grant funding for the Disaster Recovery Program, \$58,000,000.

A total Federal Fund expenditure increase of \$105,585,695

Thank you for your consideration of this important request.

Sincerely,

A handwritten signature in black ink, appearing to be the initials 'AB' followed by a stylized surname.

Andrea Bell

Director

Oregon Housing and Community Services