Affordable Housing Preservation

House Committee on Housing and Homelessness

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Amanda Saul
Housing Investment Manager,
Portland Housing Bureau

Agenda

I. Overview: Regulated affordable housing and preservation issue

II. Current challenges

III. Solutions and recommendations

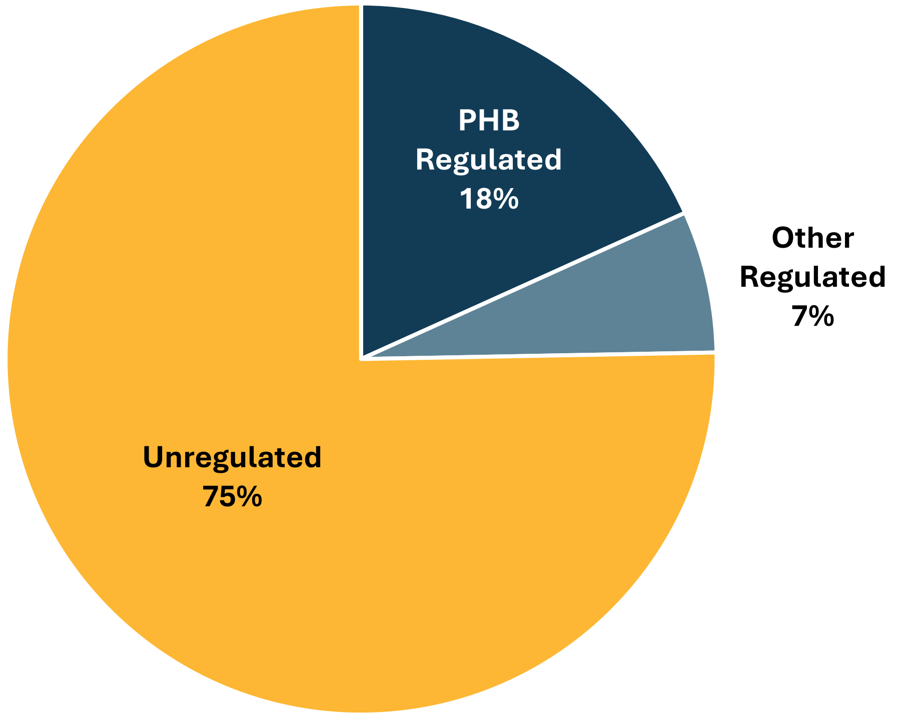
IV. Questions and discussion

I. Overview: Regulated Affordable Housing and Preservation Issue

Portland's regulated affordable rental stock

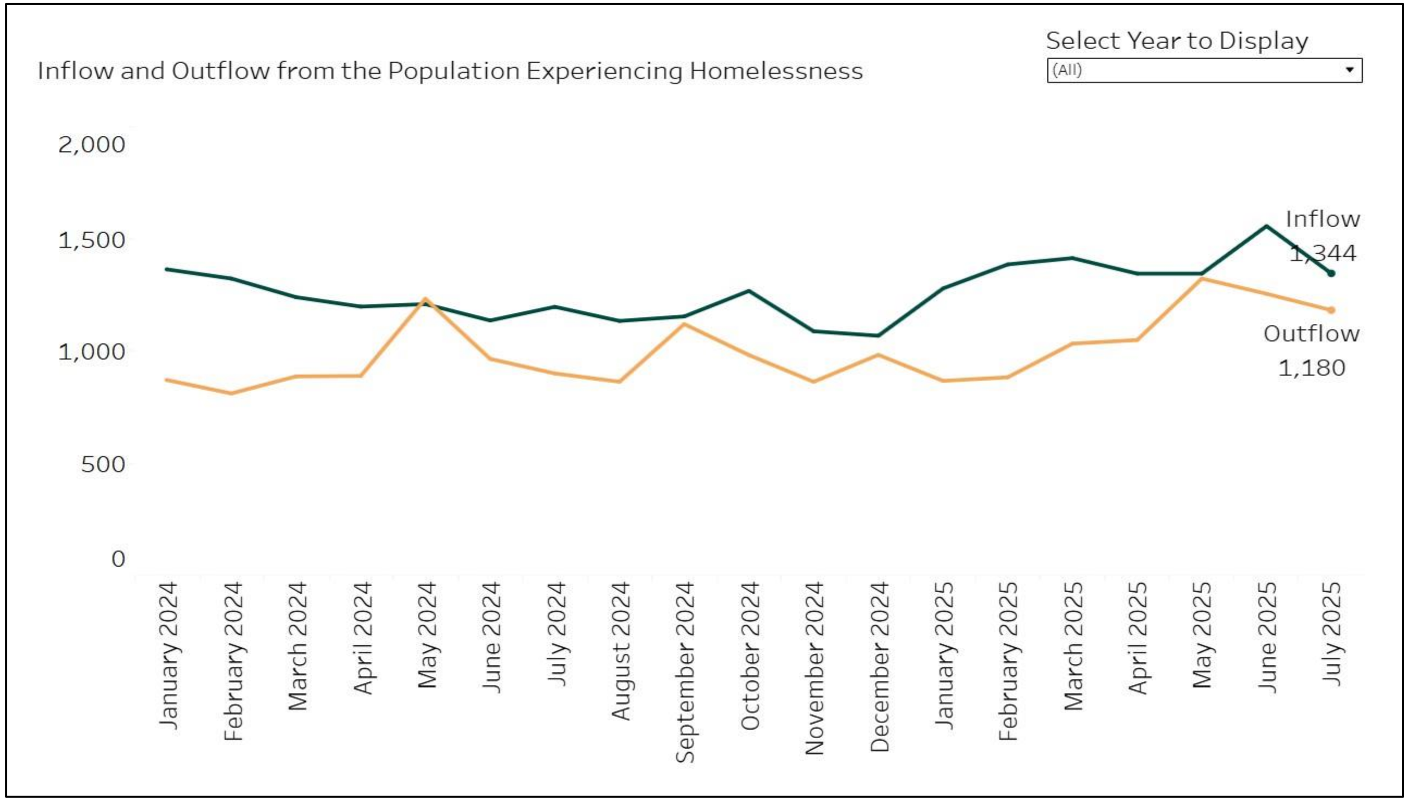
- Citywide: 781 buildings with 24,231 regulated units
- Represents 24.7% of total multifamily housing in Portland
- Subset with affordability restrictions from PHB: 400+ buildings with 18,000+ units
  Includes IH, SDC, and MULTE buildings along with nonprofit owned, 100% affordable properties
- Other Regulated projects may have state or federal restrictions

Multifamily Housing



Regulated affordable housing is key to reducing homeless inflow

- Adding to overall housing supply helps with affordability, but not at lowest income levels
- In Portland, more people are entering homelessness than exiting
- Regulated affordable housing prevents homelessness



Source: Multnomah County HSD Data Dashboard

Preservation: the most efficient path to housing for all

- **Within Portland approximately 1,250** existing affordable housing units' affordability restrictions will expire in the next 10 years. This puts these expiring properties and their residents at risk of losing their affordability and their homes.

- The market does not produce homes affordable to people exiting homelessness and with very low incomes.

- Focus on preservation of affordable housing prevents homelessness and increases resident stability.

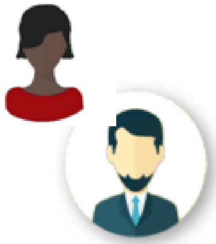
- Compared to new construction, preservation is the fastest, least expensive way to create and stabilize affordable homes.

Low-income housing 51% - 80% AMI (market & regulated)

Low-income (51-80% AMI) households

Annual Income: $61,500
AMI: 63%
Affordable Rent: $1,538

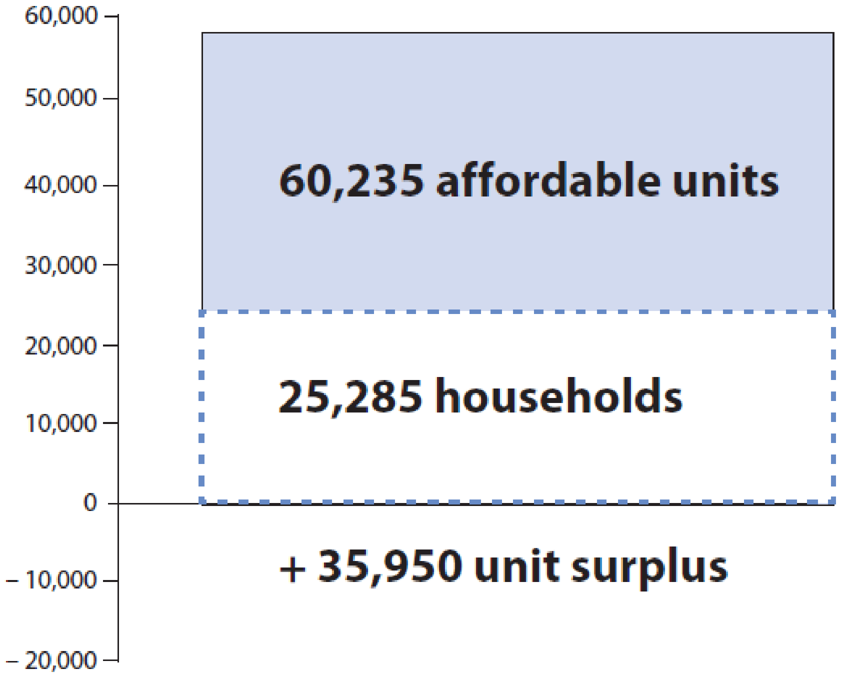
Carpenter



Annual Income: $58,000
AMI: 60%
Affordable Rent: $1,450

Two full-time minimum wage workers

Housing units affordable at 51-80% AMI compared to need



Source: PHB calculation of HUD 2017-21 CHAS data

Undersupply of deeply affordable housing

Extremely low-income (0-30% AMI) households

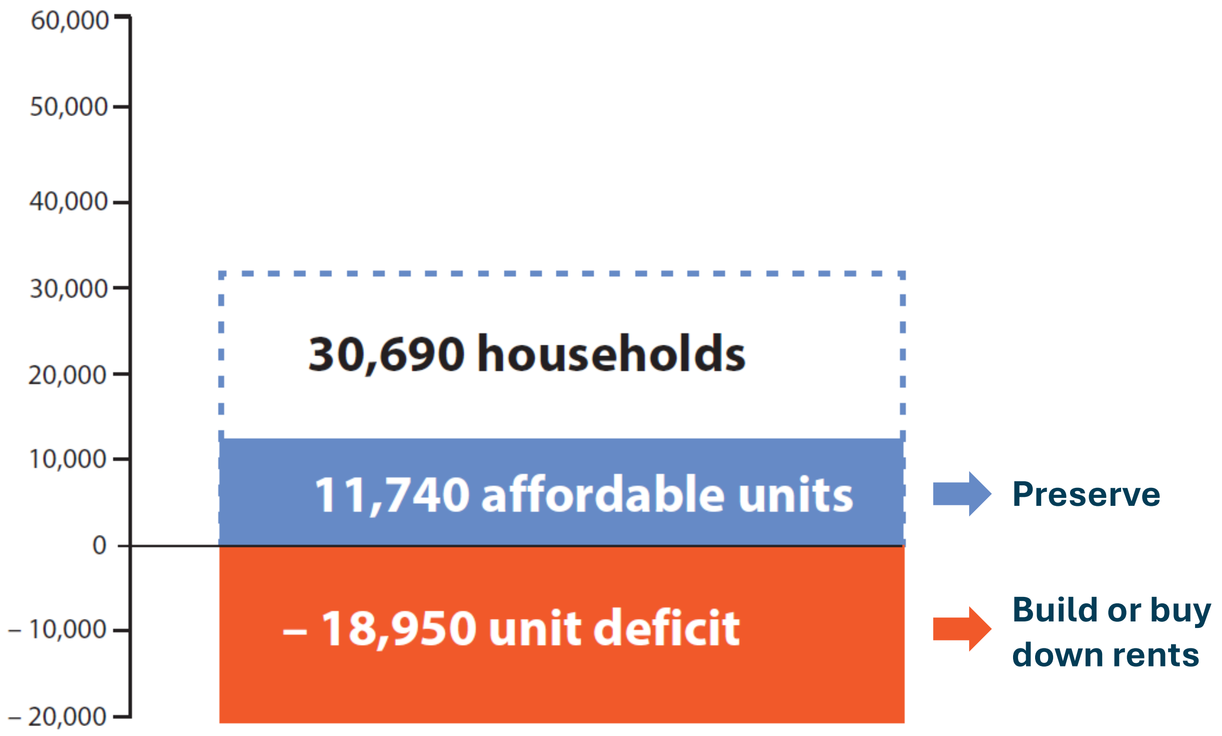
Annual Income: $15,800
AMI: 16%
Affordable Rent: $395

Couple with Social Security

Annual Income: $10,500
AMI: 11%
Affordable Rent: $263

Adult on Disability

Housing units affordable at 0-30% AMI compared to need



Source: PHB calculation of HUD 2017-21 CHAS data

Why focus on preservation now?

Existing Affordable Housing is At Risk

- Regulated affordable projects in Portland face major operating challenges, putting many at risk of financial failure
- Lenders are increasingly concerned about existing loans and future lending for Portland affordable projects
- Nonprofit owners are running out of resources to continue operating these critical community assets
- **Loss of affordable housing would increase deficit of units for 0-30% AMI households and likely increase homelessness inflow**

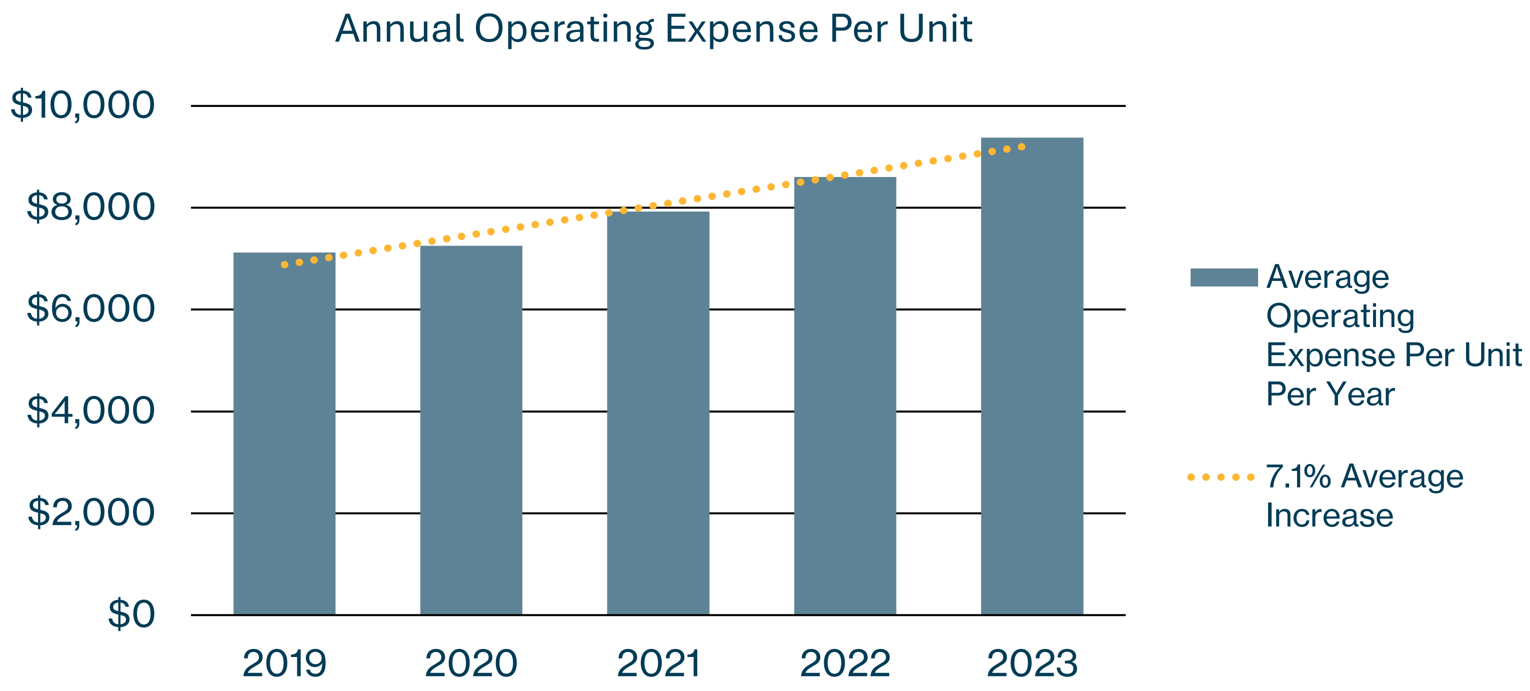
Benefits of a Preservation Strategy

- Prevents displacement
- Keeps housing in high opportunity areas
- Cost-efficient and carbon-efficient
- Indirectly supports new housing production
- Delivers on taxpayers' investment

II. Current Challenges for Existing Affordable Housing

Operating expenses have increased dramatically

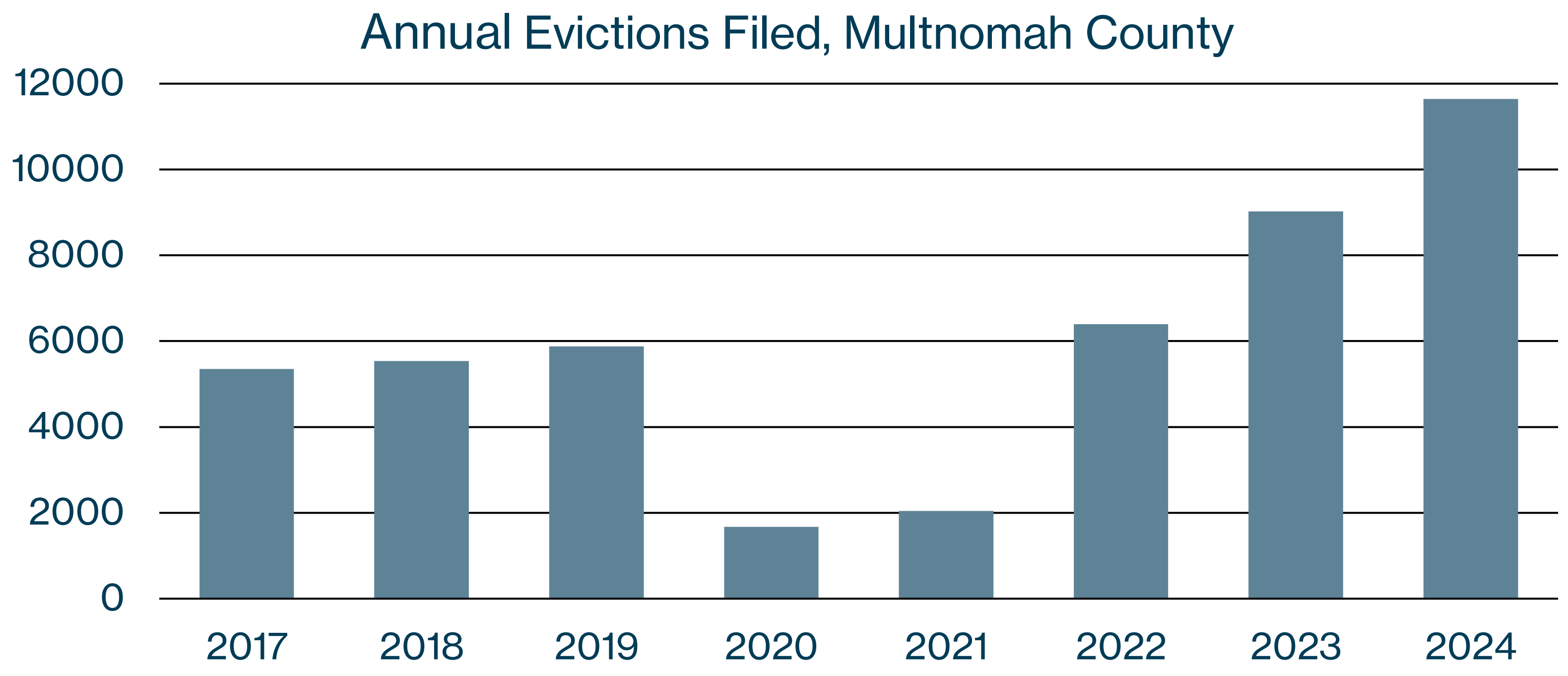
Problem: Properties expecting an annual 3% increase in operating expenses have seen much larger spikes in insurance, security, staffing, and utility costs. Affordable housing projects operate without cushion and cannot absorb the higher costs.



Source: PHB Portfolio Data

Unpaid rent and evictions have increased

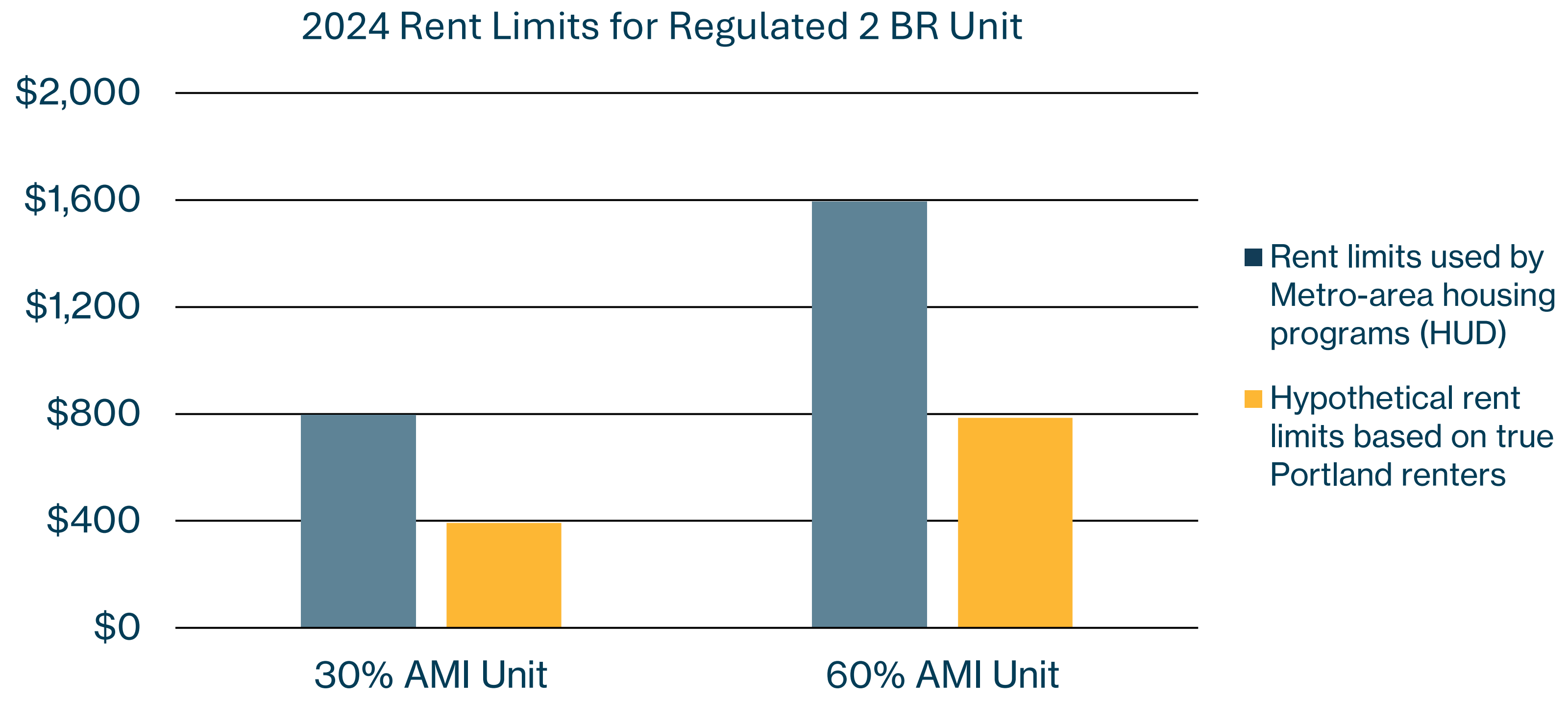
Problem: Housing providers report high levels of unpaid rent/bad debt following expiration of pandemic relief programs. Most temporary rent assistance programs do not offer enough time for tenants to stabilize in their housing. Eviction prevention funds are available late in the eviction process after several months of revenue loss for the property.



Source: Multnomah County

Vacant units are harder to fill than in the past

Problem: At present, units at 60% AMI do not offer much of a discount to market rents (especially studios & 1BR) while requiring a more rigorous application process. At the same time, 60% AMI rents are too high for low-income renters in Portland.



Source: Calculations based on 2024 HUD income limits (Metro area) and 2021-24 ACS estimates

Other challenges

- Asset and property management capacity issues
- Higher behavioral health challenges than anticipated
- Deferred maintenance and capital needs
- Maturing senior loans – refinancing at much higher interest rates

Lender perspective on current challenges

- PHB held lender roundtable discussions in 2025. Lender perspectives identified during that process include:
  - The issues are with both income and expenses, as noted in earlier slides. Without sufficient revenue, projects can’t pay debt and operating expenses.
  - Standard underwriting for years, COVID and then rapid inflation shattered operating expectations.
  - Existing projects and those under development weren’t structured for these unusual events.
  - This is a new, likely permanent shift in the operating environment.
- Of NOAH’s troubled asset portfolio, 46% of projects are in Portland.
- This isn’t just a Portland problem, but the issues are more severe.

Lender perspective on current challenges

- New projects and their sponsors are under increased scrutiny by lenders.
- Won’t lend to sponsors with too many troubled projects, eroding balance sheets (insufficient cash, high receivables, unpaid expenses, etc.)
- Location matters.
- Significant tightening of underwriting requirements in the Portland Metro area – deals are harder to make pencil.

III. Solutions and Recommendations

Solutions for operating expenses

Existing Solutions:

- City's Regulated Affordable Multifamily Assistance Program (RAMP) for water/sewer/stormwater savings
- PCEF grants for clean energy improvements that reduce utility costs: $20M awarded for 7 properties / 514 units
- PHB Safety and Security Grants: $2.5M for 17 housing providers / 2,600 units
- OHCS Project Stabilization Initiative (PSI): $35M and Oregon Affordable Housing Tax Credits for debt buydown

Recommendations:

- Evaluate RAMP program's effectiveness, currently a 3-year pilot through FY25-26 and extend if beneficial
- Consider dedicating ~$2M in funding for second round of Safety and Security Grants
- Advocate for an increase in Project Stabilization Initiative funds
- At the state and local level continue to set-aside funding for preservation and funding associated with OHCS's PUSH program

Solutions for revenue loss, vacancies, evictions

Existing Solutions:

- Metro Bond interest earnings, Portland Mortgage/Rent Buy-Down, and Oregon Affordable Housing Tax Credits (OAHTCs) are reducing 60% AMI rents to 45-55% AMI for some new construction projects
- PHB waiving cash flow loan payments to keep more resources with owners
- Vacancy Listing Service

Recommendations:

- Provide $5M in rent assistance funds to County to administer.
- Support affordable properties to improve marketability
- Identify longer-term rent subsidies (12 months or longer) – that are connected to affordable housing owners
- Allow new projects (preservation and new construction) to capitalize a rent assistance reserve at the project level to be controlled by the owner to support residents and reduce evictions for non-payment of rent

Potential solution: Rent subsidy program

Purpose: Stabilize tenants, affordable properties, and nonprofit owners. Increase rapid rehousing opportunities and prevent homelessness.

City/County: Rent subsidy program

- Provide 12-24 months of rent subsidy per household
- Support 500 regulated units/year
- Estimated subsidy of $5.4M year = $16.5M over 3 years (with inflation, excluding admin)
- Pair with services to stabilize households in their homes

3-year program duration

PHB/OHCS: Other property stabilization efforts

- Work with providers and lenders on portfolio stabilization plans
- Refinance/restructure existing commercial debt
- Work with OHCS to increase stabilization resources available

IV. Questions & Discussion