



HOUSING ALLIANCE

April 1, 2021

House Committee on Housing
Oregon State Legislature
900 Court Street NE
Salem, OR 97301

Dear Chair Fahey, Vice-Chair Morgan, Vice-Chair Campos, Members of the Committee:

I am writing to you today on behalf of the Oregon Housing Alliance to express our support for 3113, which would make an important change related to rent increase limits under SB 608¹, passed in 2019.

The Oregon Housing Alliance is a coalition of more than ninety organizations from all parts of the state. Our members have come together with the knowledge that housing opportunity is the foundation on which all of our success is built – individual success as students, parents, workers, and community members as well as the success of our communities. We represent a diverse set of voices including affordable housing developers, residents of affordable housing, local jurisdictions, and organizations working to meet basic needs in every corner of our state.

We believe that all Oregonians need a safe, stable, and affordable place to call home.

Prior to the COVID-19 pandemic, we knew that already, too many seniors, families, and people who experience disabilities were paying too much of their income towards their rent or mortgage, and were experiencing other forms of housing instability. In Oregon, three out of four households with extremely low incomes pay over half of their income towards rent. When people pay a significant portion of their income towards rent, they have too little resources left over for food, medicine, utilities, and an emergency may mean they end up experiencing homelessness.

In 2019, the Legislature considered and passed landmark legislation to provide basic protection to people who rent their homes. SB 608 provided protection against no cause evictions and against extreme rent increases. More specifically, the bill:

- Provides protection from no cause evictions for tenants after the first year of occupancy; and
- Limits rent increases to no more than seven percent plus the consumer price index (CPI) percentage. This provision exempted regulated affordable housing and new construction for the first fifteen years.

In 2021, the limit on rent increases is 9.2%².

The bill exempted regulated affordable housing from the rent increase provisions because of the current existing regulations in place for this housing. While working to create and pass SB 608, it

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

² <https://www.oregon.gov/das/OEA/pages/rent-stabilization.aspx>

was our understanding that all affordable housing in Oregon had important regulations on rent increases by both the federal and state government that would limit the amount and frequency of rent increases for residents. This regulation is critical for people who call these apartments home, and have very low incomes.

First, all affordable housing has restrictions on both incomes and rent, which limit how much the people who can live in the buildings can earn, and how much rent they pay. A typical building constructed using federal Low Income Housing Tax Credits would serve people earning at or below 60% of area median income. Upon financing, a developer would create a plan with Oregon Housing and Community Services to identify the income limits, so for example, a developer might propose to include ten units for households earning at or below 30% of area median income, and ten units for households earning at or below 60% of the area median income, and the rents would be calculated accordingly. The developer would sign a regulatory agreement with OHCS that would ensure these units would be affordable to people at these incomes for a minimum of thirty years, and would agree to monitoring and regulation by OHCS for that period as well.

The federal rules are tied to area median income, which is the median income in the County in which the development is located. This measure could increase or decrease depending on the circumstances of other people living in the county – it might decrease or stay flat during periods of recession, and increase in periods of economic growth. As there are increases to the county's area median income, the income limits and rents of regulated affordable housing in the community could and would rise accordingly. The US Department of Housing and Urban Development revises these numbers every year.

In addition to these federal rules, Oregon also has state rules. Oregon Housing and Community Services, through their regulatory agreements with developers, has put in place a rent increase policy³, which requires affordable housing developers to request permission for rent increases. As the rent increase policy exists today, there are four levels of review, which each require different information provided to the Department:

- Up to a 5% increase in tenant rent;
- Up to a 5% increase in tenant rent for current tenants, and up to 7% plus CPI rent increase for new tenants;
- A rent increase on existing and/or new tenants above 5% and up to 7% plus CPI; and
- A rent increase above the 7% plus CPI limitations on existing and/or new tenants.

After the passage of SB 608, advocates identified gaps in the combination of state and federal rent increase policies, gaps that would be fixed by eliminating the exemption for affordable housing as contemplated by HB 3113.

One gap identified is that some affordable housing projects were built with local city resources, such as tax increment financing, loans from the city, or federal HOME dollars. While these projects are still subject to the federal rules about rent limits, the affordable units included in the developments are exempted from the SB 608 limits. As a result, if a rent increase was within the federal limits, there were no rules that governed the amount of the increase.

³ <https://www.oregon.gov/ohcs/compliance-monitoring/Pages/rent-increase-policy.aspx>

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One example was identified⁴ in the Portland area, in which tenants with low incomes received a large rent increase while living in an affordable housing property as a result of significant increases to the county area median income over time. SB 608 was designed to prevent extreme rent increases such as the ones received by these residents, and everyone should be protected.

In addition, HB 3113 would add an additional layer to the existing rent increase policy by OHCS by prohibiting the agency from approving rent increases of more than seven percent plus CPI.

There are forthcoming amendments to HB 3113 which would provide three important exemptions which would allow affordable housing providers to remain in compliance with federal laws, while also ensuring they can continue to manage the affordable housing developments:

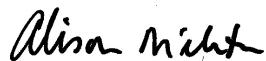
- First, there are several federal programs, the largest of which is the Housing Choice or Section 8 voucher program. The tenants rent is based on their income, and can increase or decrease with their income. For HB 3113, amendments will clarify that these increases or decreases in rent that are based on changes in income, those are not considered rent increases for the purposes of the limits under SB 608.
- Second, as with our original intent behind SB 608, we want to be sure we're allowing affordable housing providers to continue to follow the complex rules set by federal program rules. Amendments will clarify that these federal program eligibility rules may require rent increases, and that those would continue to be allowed.
- Third, and finally, there are limited circumstances in which a tenant has help paying their rent while living in a regulated affordable unit. In these circumstances, the affordable housing provider could technically increase the rent, receive additional resources from the federal government, all without the tenant seeing any change in their portion of the rent. This circumstance would continue to be allowed as well.

These exemptions would not allow rent increases of above SB 608 limits for residents.

These changes are important and necessary for people with low incomes who live in affordable housing. We urge your support of HB 3113.

Thank you very much for your time, and for your service to our state.

Sincerely,



Alison McIntosh
On Behalf of the Oregon Housing Alliance

⁴ <https://www.wweek.com/news/state/2019/12/31/oregons-landmark-tenant-safeguards-havent-protected-deb-mayer/>.

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Street Roots
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Transition Projects
Washington County
Welcome Home Coalition