



**OREGON HOUSING *and*
COMMUNITY SERVICES**

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April 9, 2023

Joint Committee on Tax Expenditures
900 Court Street NE
Salem, OR 97301

RE: Information on Efforts to Preserve Publicly Funded Affordable Housing

Co-Chairs Meek and Nathanson, Co-Vice Chairs Boquist, Reschke, and Walters, and Members of the Joint Tax Expenditures Committee,

Preserving existing affordable housing is a top priority at OHCS as we work collectively to expand access to affordable, stable, and safe housing. Most publicly-subsidized housing comes with an “expiration date” – a point in time when the rent limits that keep the property affordable expire and properties could raise rents to market rate, following Oregon’s rent stabilization laws. Beyond the expiration of affordability restrictions, even the best-maintained buildings will need major upgrades and replacements periodically that can require more public resources than the margins of operating affordable housing allow for.

What is OHCS’ role in preserving Oregon’s existing affordable housing?

There are different ways and funding programs that OHCS assists developers with to preserve affordable housing. OHCS’ preservation efforts generally focus on periodically investing, with preservation resources, in the physical condition and financial sustainability of existing affordable projects as they age, in return for extending the rent restrictions attached to the development.

Until roughly a decade ago, few in the affordable housing industry were paying sustained attention to preservation needs. Since then, OHCS and partners worked to bring awareness to the need of preserving affordable housing and risks if action is not taken. Last biennium saw the largest investment in preservation ever by the Legislature, a total of \$165 million between the 2021 and 2022 Legislatures (the previous allocation during the 2019 session was \$25 million). Governor Kotek’s [mission focused budget](#) includes a \$118 million investment to fund the preservation of existing affordable homes, including homes in manufactured homes parks. These investments are additive to ongoing federal and state programs that can be used for preservation, namely the General Housing Assistance Program (state, Document Recording Fee), Oregon Affordable Housing Tax Credit (state), and the Low Income Housing Tax Credit (federal). While the scale of investments will help preserve long-term housing stability for thousands of Oregonians, the need far outstrips available resources; the agency and partners will have difficult decisions ahead on prioritizing limited resources for preservation.

OHCS has four primary ways of supporting the preservation of Oregon’s existing affordable housing: financing the acquisition of publicly supported housing with expiring affordability (as was recently approved for the Woodspring Apartments in Tigard), providing resources to address life, health, and safety concerns for affordable housing developments, providing resources to intervene when properties are at risk of financial insecurity, and acquiring and rehabbing manufactured home parks that will be



owned by nonprofits and cooperative ownership (co-ops). Other related preservation priorities include renewing federal rent assistance contracts attached to specific properties and exploring opportunities to support the preservation of manufactured home communities as long-term affordable housing options. In addition, because of the need for extended affordability periods, most forms of OHCS funding now come with 60 years of affordability, rather than the previous standard of 30 years.

OHCS is developing a Preservation Strategy Framework which will guide future preservation investments and help clarify priorities to our partners. The agency is currently vetting plans through relevant stakeholders to better inform the final framework. That strategy is expected to be completed mid-2023 and focus on the risk of loss of affordable properties and the impact to tenants if properties are lost (especially the most vulnerable tenants).

What happens when OHCS portfolio affordable housing restrictions expire and what is OHCS's role?

When affordable restrictions expire (usually 30-60 years) on a property, the owner can decide to convert the development to market and no longer maintain restricted rents. They may choose to preserve the development either through opting to continue restrictions or by accessing public resources to further invest in needed property upgrades or rehabilitation.

Expiring affordable housing units in the OHCS portfolio are automatically part of the [Publicly Supported Housing Preservation \(PuSH\)](#) regulations which allow OHCS to appoint a “Designee” to act as a qualified purchaser for a withdrawing PuSH Portfolio project. The PuSH process is a result of HB 2002 (2017) and amended by HB 2002 (2019). Owners must provide notices to local government and OHCS regarding their intent to preserve the property or not when the affordability restrictions will expire. Owners are not required to accept any of the qualified purchaser initial offers but are required to accept the first received subsequent matching offer from qualified purchasers under a right of first refusal process when the owner intends to sell to a third-party. The right of first refusal period begins upon an offer made by a qualified purchaser and extends 24-months beyond the anticipated withdrawal of the property from publicly supported housing.

Oregon Housing Developments with affordability limitations due to expire.

All projects with rent restrictions (OHCS funded, HUD, and RD) due to expire:

- In the next five years (2023-12/31/2027): 122 developments, 4,779 units
- Five-ten years out (2028-12/31/2032): 94 developments, 4,335 units
- Beyond 2032: 381 developments, 19,045 units

The figure above includes developments where federal rent assistance (HUD + USDA Rural Development contracts) is due to expire. Those account for a significant portion of the units at risk.

- In the next five years (2023-12/31/2027): 88 developments, 2,754 units
- Five-ten years out (2028-12/31/2032): 38 developments, 940 units
- Beyond 2032: 89 developments, 3,991 units



OHCS Response to Affordable Housing Preservation Questions – April 9, 2023

While it's easy to focus solely on housing units and development finances, it is critical to keep the potential impact on residents at the center of preservation efforts: if a development is lost to market-rate or falls into disrepair, Oregonians may face a potential nightmare of losing stable housing. OHCS is committed to keeping preservation of affordable housing as a priority and seeks to preserve affordable housing with the available tools. We look forward to ongoing conversations with this committee and are happy to join an informational presentation as requested by Co-Vice Chair Boquist.

In partnership,

Nicole Stingh
Assistant Director of Government Relations

