

Housing and Community Services Department

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level **	2019-21 Governor's Budget
General Fund	27,328,954	54,438,010	59,963,031	62,464,549	126,459,961
Lottery Funds	11,676,461	16,357,282	17,507,282	21,868,790	21,868,790
Other Funds	199,406,108	289,274,996	324,497,248	266,077,019	503,906,540
Other Funds (NL)	721,451,233	631,849,381	902,349,381	816,988,340	1,056,660,425
Federal Funds	118,193,644	122,692,797	122,817,211	127,694,100	134,178,025
Federal Funds (NL)	119,200,845	121,165,609	133,265,609	133,231,628	133,231,628
Total Funds	1,197,257,245	1,235,778,075	1,560,399,762	1,428,324,426	1,976,305,369
Positions	151	164	171	138	217
FTE	137.65	152.65	155.62	136.00	212.75

* Includes Emergency Board and administrative actions through December 2018.

** Includes EHA ongoing GF of \$28 million, and ongoing GF for SHAP of \$12m

Program Description

The Housing and Community Services Department (HCSD) provides financing and program support for the development and preservation of affordable housing to low and very low-income Oregonians, and administers federal state antipoverty, homeless, and energy assistance programs. The Oregon Housing Stability Council, a nine-member panel appointed by the Governor, advises the Governor, Legislature, HCSD and local governments on affordable housing issues. The agency has branded itself as Oregon Housing and Community Services (OHCS).

CSL Summary and Issues

Oregon has significantly increased investment in affordable housing since the Great Recession, in an effort to address severe shortages in affordable housing. The total funds budget increased 46% between 2013-15 and 2017-19, and the General Fund budget increased by 167% during the same time period. In contrast, full-time equivalent positions grew by just 3.52% over the period. Investments utilizing Lottery Bond proceeds for preservation of affordable housing, affordable housing for those with substance abuse and mental health disorders, and General Obligation Bonds issued for the Local Innovation Fast Track housing program (LIFT) have exponentially increased debt service obligations. The 2019-21 Current Service Level (CSL) budget for debt service is \$18.8 million GF and \$21.8 million LF.

In addition, the Legislative Fiscal Office was directed to adjust the Current Service Level for the Emergency Housing Account program and the State Homeless Assistance Program. The 2019-21 adjusted General Fund Current Service Level budget for these programs is \$28 million and \$12 million, respectively, assuming that change is incorporated into an early 2019 session budget reconciliation bill.

Policy Issues

The growth in the amount of investments and projects for which HCSD is now responsible has prompted the agency to ask for additional positions to execute and monitor contracts, approve loans, manage new and expanded programs, and improve stakeholder outreach. To date, \$120 million in LIFT bonding has been approved; based on project funding approved by HCSD to date, 1,633 affordable rental housing units and 84 new affordable homeownership units will result. Legislative action in 2018 resulted in a tripling of the document recording fee, representing \$61million per biennium in new, ongoing support for the Emergency Housing Assistance, Home Ownership Assistance, and General Housing Account programs.

The Governor's Budget would substantially increase funding above the agency request budget for the following programs:

- LIFT program Article XI-Q Bonds - \$130 million vs. \$80 million requested by HCSD;
- Permanent Supportive Housing - \$50 million in Art. XI-Q bonds vs. \$19 million in lottery bond revenue requested by HCSD;
- Tenant Outreach and Education - \$20 million GF vs. \$5 million GF requested by HCSD;
- Statewide Housing Accelerator - \$15 million GF vs. \$5.3 million GF requested by HCSD;
- Child Homelessness - \$14 million GF vs. \$8 million GF requested by HCSD for a pilot program to reduce homelessness among families with children;
- EHA and SHAP permanent funding increase - \$34 million GF vs. \$30 million requested by HCSD
- Program and central services staffing increases - \$9.8 million OF and 45 positions (46.50 FTE) vs. \$6.1 million OF and 29 positions (30.5 FTE) requested by HCSD.

HCSD has made efforts to increase the capacity of housing developers, local governments and homeless and supported housing services providers. In addition, two rounds of LIFT application and award cycles have helped to hone the agency's understanding of project readiness, which should accelerate unit completion in any future iterations. The near doubling of funding in several key programs under the Governor's Budget results in the need to manage additional levels of activity and recruit and accommodate additional personnel. When coupled with voter-approved affordable housing bond measures in the Portland-Metro and construction workforce capacity, HCSD may be hard-pressed to deliver the assumed number of new affordable housing units in a timely manner.

HCSD has submitted the following Legislative Concepts intended to increase incentives and resources aimed at achieving policy goals of reducing homelessness and developing more affordable housing for underserved populations and locations.

- A capital gains tax exemption for multifamily affordable rental housing owners who sell their property to an owner willing to enter into a minimum 10-year affordability agreement, in an effort to preserve and acquire affordable housing stock.
- Increasing the tax credit cap for the Individual Development Account (IDA) program from \$7.5 million to \$15 million annually. The IDA program is a low-income "matched" savings account vehicle designed to help low income Oregonians build assets to buy a home,

attain additional education, start a business or make other steps toward self-sufficiency (it is likely this concept will be withdrawn, as the tax credit auction policy option package was not included in the Governor's Budget).

- Auctioning unused but reserved Oregon Affordable Housing Tax Credits, generating additional affordable housing resources for award by HCSD (it is likely this concept will be withdrawn, as the tax credit auction policy option package was not included in the Governor's Budget).
- Establishes a Rural Housing Accelerator program.
- Makes changes to the Housing Development Guarantee account, including increasing income limits, and allowing the account to retain earnings in an effort to provide a more flexible revolving loan fund for developers of housing in rural Oregon.

Other Significant Issues and Background

HCSD is in the process of completing its Statewide Housing Plan which clearly articulates goals for the period 2019-23. Emphases include the following: providing access to historically under-represented populations; ending homelessness for 25,000 Oregonians; providing permanent supportive housing for 1,000 individuals; increasing the number of affordable rental housing units by 25,000; assisting 6,500 households in becoming successful homeowners; and better serving small and rural communities to foster an increase in affordable housing in those areas. Maintaining an accurate inventory of affordable housing units, populations served, and outcomes will be key to these efforts.

HCSD is evaluating trade-offs and impacts to stakeholders associated with recycling a greater percentage of its housing finance funding awards as loans rather than grants. HCSD has also engaged with community action agencies to ensure that Emergency Housing Assistance and State Homeless Assistance Program dollars are distributed according to criteria that result in data-supported outcome improvements. They are also ensuring community action agencies limit carry-forward of resources from one biennium to the next.

Measure 102 -- which passed in November 2018 -- could result in local governments being better able to leverage 4% non-competitive tax credits, and potentially less of a reliance on other agency gap funds to finance the projects. The measure is likely to result in a much greater utilization of Private Activity Bonds, and absent other policy changes by HCSD, might result in Oregon hitting its Private Activity Bond Cap limit as soon as the 2021-23 biennium.