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Kristyna Wentz-Graff / OPB

# A Portland suburb is poised to lose one-fifth of its affordable housing. Experts say it's the tip of the iceberg.



By **Rebecca Ellis** (OPB)

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## Across the state, buildings owners are being freed up to bring affordable housing to market rate.

Heidi Johnstone, 61, has spent the last decade pushed around the city of Tigard by a wave of ever-rising rent.

Johnstone moved to the Portland suburb in 2009 in search of someplace cheaper than her home city of Los Angeles. She fell in love with a \$737-a-month two-bedroom atop a hill with a sweeping view of the Willamette Valley. When rents started to rise a few years



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Woodspring Apartments, located a few miles south of downtown Tigard, was meant to be her final home. The building was federally subsidized and intended for low-income seniors. Johnstone assumed this meant her rent wouldn't jump much.

On Jan. 1, a little over a year after moving in, she got a notice on her door informing her that, after 30 years, the building was no longer required to remain affordable. The new owner, a San Francisco-based real estate investment company called Hamilton Zanze, would be bringing all of the building's 172 units to market rate within a few years. With that, Tigard would lose about a fifth of its affordable housing.

For the third time since moving to the Portland area, Johnstone is contemplating living in her car.

"It was kind of like the warden saying, 'Your sentence has been passed and you're on housing death row,'" said Johnstone, whose main source of income comes from Social Security payments. "That's what this kind of living and this precariousness feels like."

Johnstone is not alone. Many of her elderly neighbors are currently scrambling to find apartments in their price range in a city that will soon see its stock of affordable housing plummet. Over the next decade, officials warn that hundreds of Oregonians who depend on affordable housing could join them as a host of buildings like Woodspring become unaffordable for the people living inside them.



Lois Keck, right, attends a meeting of the Woodspring Tenants Association. She has been a resident at Woodspring Apartments for 18 years. Deborah Boumann, left, has been a resident for the past nine years and calls her fellow tenants "her family."

*Kristyna Wentz-Graff / OPB*

The roots of the problem trace back to the success of a federal program in the early 1990s. The Low-Income Housing Tax Credit was taking off. The program, which would become one of the country's biggest generators of affordable housing, offered developers across the country a tax credit to create and preserve affordable housing units like Woodspring. In Oregon, in exchange for the credit, owners had to agree to keep the property below market rate for 30 years — the minimum time requirement under the federal program.

In 2021, these properties are starting to reach the three-decade mark, freeing up building owners to bring rents to market rate. The Woodspring Apartments, which had been required to have all its units remain affordable to renters making 60% of the area median income, is the first big building to hit the milestone.

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There will be more. By 2030, Oregon is at risk of losing roughly 4,189 units of affordable housing from this program, according to a state database. Three quarters of those units are in Multnomah, Clackamas and Washington counties.

The loss comes as regional leaders are putting an unprecedented amount of money and time toward building more affordable housing. Local housing experts estimate over \$1 billion has been raised to create inexpensive units through two recently-passed affordable housing bonds. Portland's \$258 million bond aims to create 1,300 affordable units. The \$652 million measure by Metro, the regional government for the greater Portland area, aims to create at least 3,900 units.

But some officials warn the hundreds of millions of dollars will be wasted unless the region figures out how to keep the affordable housing that's already been built.

"The region needs to have a plan to figure out how this is going to get dealt with before we have 200 Woodspring complexes," said Tigard Mayor Jason Snider. "If the region is not planning for that, then the entire Metro region housing bond capacity that is supposed to be building affordable housing may just do nothing more than cover for that loss of affordable housing."

One solution? Local government could buy the building and keep the rent affordable. According to Washington County and Woodspring tenants, the real estate firm said it would be willing to sell the building for the right price to a new owner. But, so far, no agency has put up the money.

Instead, tenants and local officials are trying to convince the new owners, who they concede have every legal right to make a profit on the units, to keep them affordable. More than 100 senior residents wrote a letter to the firm warning that they "have nowhere to go and no resources to get there." In his own letter last year, the mayor warned the loss of the building would cause the region's affordable housing crisis to spiral further out of control as new affordable housing in the city's pipeline would not be completed by the time the rent increases started. He urged the firm to consider other programs to keep the building available for low-income residents.

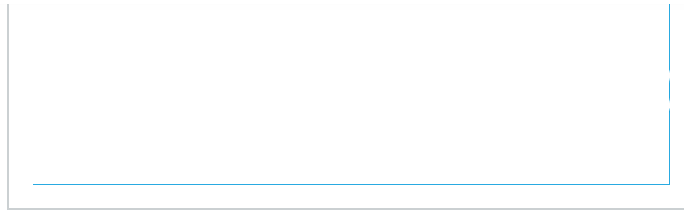
"If we lose this 172 units, then all the things that we just worked so hard for for the last few years to add will do nothing to actually add," he wrote. "It will just be neutral."

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Mark Hamilton, the CEO of Hamilton Zanze, wrote in a statement that the firm is open to ideas, but has yet to find a solution.

“Our residents are our highest priority,” Hamilton wrote. “And we are working hard to explore all possible options to help with their housing affordability through conversations with local government agencies, elected officials, and the important counsel of affordable housing experts.”

## Big picture

Housing advocates warn the loss of Woodspring will just be the tip of the iceberg unless the state and local government start setting aside tens of millions of dollars to buy buildings where the affordability is expiring.

In 2019 the state promised \$25 million in lottery bond funds to support affordable housing preservation. But the bond sale was canceled when lottery sales plummeted during the pandemic and the funds have yet to be dispersed. A trio of housing advocacy groups — Housing Oregon, the Oregon Housing Alliance, and the Network for Oregon Affordable Housing — has a different dollar figure in mind for this year.

They say the Legislature needs to commit \$100 million to prevent the region from backsliding in the pursuit of affordable housing. The money would be used to buy buildings that will soon have their affordability expire and fix them up.

The state has taken a few steps to help low-income tenants in these buildings. Lawmakers passed a bill in May that would require owners to notify tenants about the rising rents a year before the affordability expires. Another rule passed decades ago grants these residents a three-year ‘safe harbor’ from large rent increases. Thanks to that rule, tenants in Woodspring have until the end of 2023 before they see a major rent hike.

But Rob Prasch, the preservation director for the Network for Oregon Affordable

save these old buildings — a decision he feels will cause the region's affordable housing crisis to last even longer.

“If we're losing units at roughly the same rate — or even half that rate — we're losing ground,” he said. “It'll just take that much longer, and it will displace people, and in some cases it will accelerate gentrification.”

Prasch says preserving affordable housing, while expensive, is usually cheaper than building new units. Experts estimate preserving an affordable building costs about [one-half to two-thirds of the price of constructing a new one](#).



Margot Black, center, leads a meeting of the Woodspring Tenants Organizing Committee to keep Woodspring Apartments affordable for seniors in Tigard, last week.

*Kristyna Wentz-Graff / OPB*

The Woodspring Tenants Association, which formed with the assistance of local renters advocate Margot Black, has been petitioning Washington County to use some of the millions the [Metro affordable housing bond](#) has generated to buy the building.

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“It is not what voters agreed to. It is not easily justified, and it is not a decision that anybody should accept.”

So far, the push has proven unsuccessful.

Washington County’s housing development manager, Shannon Wilson, said that while the Metro money “may potentially be used” for Woodspring, the bond is meant to be used for new buildings, not old ones. Wilson said they’ve been in talks with the owner about preserving the building, but the county is short the \$12 million to \$15 million they estimate they would need to get a loan. There are currently no plans to use the Metro money to buy Woodspring.

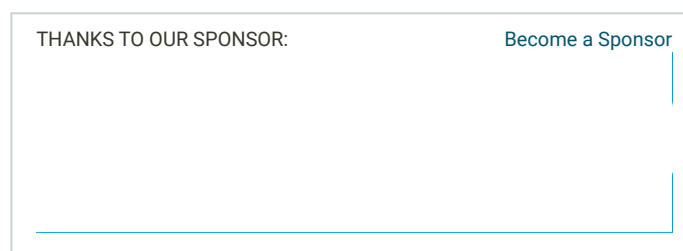
She pointed out residents have three years until dramatic rent increases start.

“We encourage residents at Woodspring to continue renting their apartments to continue having affordable-level rents during the safe-harbor period,” she wrote.

But some residents say they don’t want to wait the three years just to scramble to find housing they can afford at the end of the grace period.

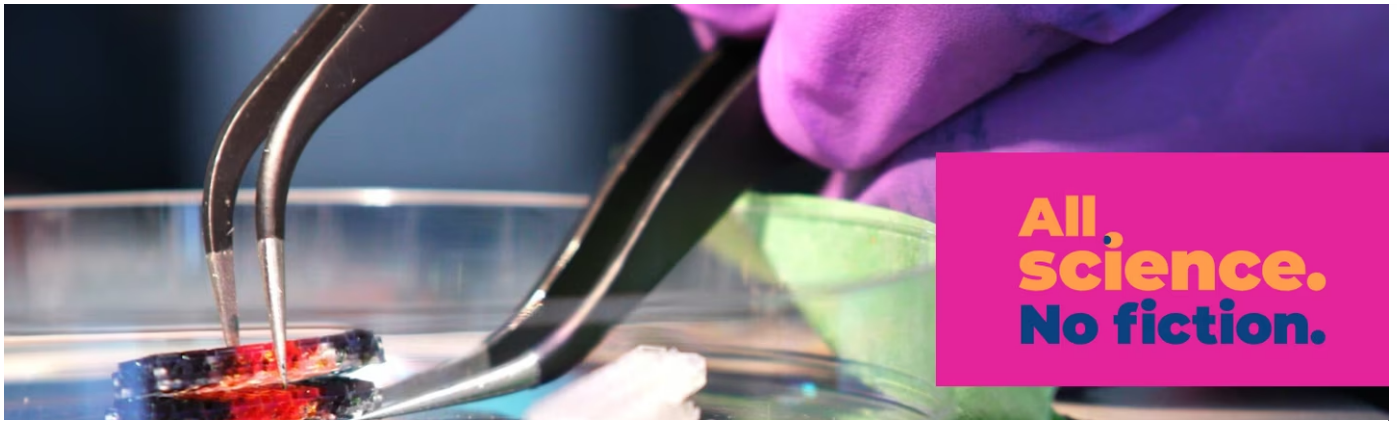
Johnstone has been organizing the residents since January, caroling people to pressure the owner to keep rents low. She said some have already left. Many more are searching frantically for a place to go.

“This is where they expected to age in place. This was going to be their last home and all of a sudden that has been pulled out from underneath them and they’re scared,” said Johnstone. “They don’t know what’s going to happen.”



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