

## **Housing Availability and Affordability in Oregon and Locally**

Some 14 months ago, *The Register-Guard* announced “an occasional series of editorials...providing a picture of the network of local efforts to address homelessness.” Eventually totaling 67 instead of the projected 10 or 12, the editorials are a major contribution to helping the community understand the crisis, and we are grateful to the paper for allowing us to use excerpts for our study.

Housing issues have been part of the League’s advocacy agenda for a very long time. Our local position originally was adopted in 1978, and the League of Women Voters of the United States has for many years included housing in its Meeting Basic Human Needs under the social policy umbrella. We hope this report will prompt discussion of how we can be involved locally in efforts to respond to the lack of available and affordable housing.

A housing crisis in much of the United States in general and Oregon in particular, is gaining momentum because housing is scarce and prices are too high for a large number of homeowners and renters. “The basic reason for Oregon’s housing troubles is that the state has underbuilt its housing supply by 155,000 units over the last 15 years and would have to build 30,000 units per year for 20 years to catch up with the demand. Recently, Oregon has only built between 17,000-20,000 houses a year. (Oregon Business Plan 2018 Policy Playbook, p.9)

In one of the editorials *The Register-Guard* states that:

Oregon has become the third most unaffordable rental market in the country, according to Habitat for Humanity, with 55 percent of renters falling into the cost-burdened category. They say that at least one parent works in almost 70 percent of poor families with children, but they don’t make enough to cover food, rent, utilities and other necessities—particularly if they’re hit with an unexpected drop in income or increase in costs. (January 24, 2018)

Then another of their editorials states: “In Lane County and throughout Oregon, a majority of people in shelters or on the streets on the day of the annual January homeless count were not chronically homeless, and did not describe themselves as having problems with mental health or substance abuse. They simply couldn’t afford housing.” Plus, “As land and labor costs continue to rise, increasing the cost of privately developed housing, the situation will only continue to worsen.” (August 24, 2017)

New construction tends to be expensive and generally aimed at the upper third or so of the market. An editorial in *The Register-Guard* states that:

Conventional economic wisdom holds that markets move in response to demand: If people want or need something, its price will rise to a point at which investors will decide to profit by providing it. That hasn’t happened in Oregon’s rental housing market. Vacancy rates are low, pushing rents up — but the market hasn’t responded with enough new units to bring supply and demand into equilibrium.

This market failure contributes to homelessness. Last January, Lane County’s point-in-time count found 1,529 without permanent shelter, 42 percent of whom met the federal definition of chronically homeless people. That means 58 percent are not chronically homeless. They’re homeless for a few weeks or months. Sometimes they can’t find an affordable place to rent. Sometimes they have an eviction or a criminal conviction on their records that makes it hard to get through tenant screening processes that can become highly selective in a tight market. (October 1, 2017)

Adding to the housing availability problem, *The Register-Guard* editorial goes on to say:

Oregon was the nation's sixth-fastest growing state in 2016, with more than three-quarters of the growth coming from people moving from elsewhere, according to the Oregon Housing and Community Services Department. As a result, Oregon has among the nation's lowest rental housing vacancy rates, triggering a 9.8 percent average increase in inflation-adjusted rents between 2008 and 2015. Inflation-adjusted median family incomes declined by 1.8 percent during the same period. (October 1, 2017)

According to a HUD guideline, the cost of housing should consume no more than 30 percent of household income, leaving the rest for other expenses. Applying that guideline, the National Low Income Housing Coalition calculates that a household income of \$17.10 an hour would be needed to afford the average \$889-a-month two-bedroom apartment in Lane County. In Multnomah County, where the same apartment costs \$1,242 a month, an income of \$23.88 per hour would be required. The mismatch between rents and incomes leaves many people and families on the edge of an economic precipice, unable to build even a small pool of savings for an emergency such as a layoff or an illness. (August 24, 2017)

The federal government requires communities to prepare consolidated plans every five years followed by annual action plans in order to receive federal Community Development Block Grants, HOME Investment Partnership Program and other HUD grants. In the development of the plan, the following local agencies were consulted:

Cornerstone Community Housing  
Eugene Planning Commission  
Eugene Sustainability Commission  
Housing and Community Services Agency  
(HACSA, now known as Homes for Good)  
Human Services Forum  
Oregon Housing and Community Services

Poverty and Homelessness Board  
Public Safety Coordinating Committee  
St. Vincent de Paul Society of Lane County, Inc  
ShelterCare  
Sponsors, Inc  
United Way Financial Stability Partnership  
University of Oregon Agency Survey

The Eugene-Springfield 2015 Consolidated Plan lists some of the poverty indicators in the area:

- The median family income for both Eugene (\$40,628) and Springfield (\$39,598) is lower than the US (\$52,176) and Lane County (\$41,936) poverty threshold incomes.
- 19% of Lane County residents receive food stamp benefits (SNAP).
- 50% of students from the three public school districts in Eugene and Springfield are eligible for free and reduced lunch.
- 40% of households in Lane County do not have sufficient liquid assets to subsist at the poverty level for three months, in the absence of income. (Eugene-Springfield Consolidated Plan 2015 April 6, 2015 P. 8)

The plan also describes the breakdown of housing types in 2015.

- There is a commensurate decrease in the percentage of no and one-bedroom units, from 38% of all rental units in 2000 to 28% in 2013, or a decrease of 1,800 units.
- About 51% of the housing units in the two cities are owner-occupied, with 49% renter-occupied. This reflects a slight reduction in the number of owner occupied units since 2000 of 52%. (Eugene-Springfield Consolidated Plan, p. 9)

Together, Eugene and Springfield contain more than 89,400 housing units, and over 40,000 are occupied by low-income people, as stated in the Plan:

- There are a total of 31,055 low-income renter households in Eugene, and 7,335 in Springfield.
- There are 6,830 low-income owner occupied households in Eugene, and 3,860 in Springfield.
- A significant majority of low-income owners experience a housing cost burden, overcrowding, and/or substandard housing conditions (Eugene – 76%, Springfield – 57%)
- A significant majority of low-income owners spend more than 30% of their income on housing costs (Eugene – 64%, Springfield – 56%)
- A large percentage of low-income owners spend more than 50% of their income on housing costs (Eugene – 40%, Springfield – 31%)

### **Barriers to Fixing the Housing Shortage**

A huge concern among housing advocates is that the federal administration's proposed FY19 budget includes the elimination of Community Development Block Grants, Social Service Block Grants, Community Services Block Grants, the HOME Investment Partnerships Program, plus severe cuts in the widely used Section 8 voucher program, job-training programs, and grants that target homeless people with substance abuse or mental health issues. The CDBG and HOME funds are the principal source of funding locally for affordable housing for low income people. One of *The Register-Guard* editorials states that:

The federal government has played a large role in providing public, or affordable, housing since the Great Depression of the 1930s. It paid for virtually all affordable housing built in the United States in the last 30 years. Locally, about half of the Housing and Community Services Agency's 1,628 public housing units were developed with direct funding from the U.S. Department of Housing and Urban Development. And the rest were built with the help of federal low-income housing tax credits, often in partnership with other local agencies. But this funding source has been eroding of late, accelerating a trend that began in the 1980s under President Ronald Reagan. So far, there is nothing to replace it. (July 30, 2017)

Furthermore, *The Register-Guard* notes in another editorial that certain constraints must be overcome for the sake of solving the housing crisis:

Dan Hill is co-founder of Arbor South Architecture, the lead architect on the Emerald Village tiny house project. Hill says the private sector should be able to meet the need for affordable housing, instead of relying on government-subsidized projects. But he sees things moving in a different direction as developers juggle an acute, and growing, shortage of affordable developable land; rising construction costs, including labor; and a host of steadily increasing government and utility fees and charges.

One builder cites an example: Twenty-three years ago, 53 acres on River Road sold for \$12,500 an acre. Two years ago, a somewhat smaller parcel sold for close to \$100,000 an acre — an increase so far surpassing the rate of inflation that it pushes housing developments out of the realm of affordability.

State law requires that cities show they have a 20-year supply of land for housing within their urban growth boundaries. The HBA (Home Builders Association of Lane County) claims that some of the land in Eugene's inventory can't be built upon — it's too steep, for example, or city rules impose development restrictions. A shortage of land means that prices go up, pushing housing costs even further out of reach for many people.

In the same editorial, *The Register-Guard* notes that:

HACSA officials agree with private developers that land supply and rising costs, including government fees and charges, make it more difficult to meet low-income families' needs. They join developers in applauding Springfield's recent move to eliminate systems development charges for construction of accessory dwelling units on lots already occupied by a home, since the infrastructure the fees pay for is already in place. And they would like to see governments take a hard look at other fees and charges. (October 22, 2017)

### **Finding Other Funding Solutions** (Bolding added for emphasis below.)

Furthermore, the editorial states that HACSA officials...

- are eyeing tracts of **unused or underutilized government-owned land** as a potential land bank for future development of affordable housing.
- are intrigued with new ideas, such as a partnership in Portland between agencies serving homeless people and health care providers such as hospitals. The partners supply housing to homeless people with mental

- illnesses or addictions on **land owned by hospitals or other providers**. Getting people off the streets and giving them health care relieves costly pressure on hospital emergency rooms and offers a path to wellness.
- note that voters in Vancouver, Wash approved a **property tax levy** last year to support an affordable housing-homelessness prevention fund that provides \$6 million a year in housing assistance for very low income families. (October 22, 2017)

*The Register-Guard* editorial excerpts below explain how organizations are responding to lessening resources:

Now, businesses that are expecting large tax breaks under the Trump administration are uninterested in the tax credits. As a result, for the first time in 30 years, there is no allocation this year for tax credits for affordable housing in Oregon, according to St. Vincent de Paul's executive director, Terry McDonald. This, combined with rising land and construction costs, propelled the nonprofit organization into focusing on what it sees as the largest potential source of affordable housing in Oregon: mobile home parks. There, it can get the most bang for its limited bucks. St. Vincent de Paul has **cobbled together funding** from a variety of sources to swoop in and buy these parks, upgrading and doing repairs as needed.

In the short-to-medium term, this kind of out-of-the box thinking is what's going to be needed to add to the inadequate supply of affordable housing in Oregon. This includes looking for new funding sources — Portland, for example, passed a \$700 million **bond issue** last year to raise money for affordable housing. This would be difficult for rural communities and small towns that are facing critical shortages of affordable housing, but it's worth looking at options such as a **statewide bond measure** similar to Portland's.

Providers of affordable housing also should look to new sources of local and regional information and resources as they struggle to meet housing needs. This could include **partnering with businesses, nonprofit groups and government agencies** whose interests align with the housing providers. McDonald noted, for example, that a number of derelict mobile home parks are environmental disasters, leaking sewage into waterways, and massive energy hogs. Environmental groups and utilities could become partners with entities such as St. Vincent de Paul as they acquire and clean up these parks.

It would be worthwhile also to **contact other communities and states** with acute shortages of affordable housing to see what funding mechanisms they have found or developed. (July 30, 2017)

Another funding source would be a **Construction Excise Tax** (aka **CET**), something the Eugene City Council is currently studying. *The Register Guard* editorial comments in these excerpts that:

The Legislature banned ... (them) in 2007. The city of Bend had adopted the state's first CET the year before, so it was grandfathered in. Lynne McConnell, Bend's affordable housing coordinator, says the CET has played a role in financing every affordable housing project built in the city since then--770 units. "It's been a really phenomenal tool for our city and our region," McConnell says. Bend levies a 0.33 percent CET, generating \$7 million in revenue since 2007. The city uses the money to help finance all types of affordable housing--Habitat for Humanity projects, veterans' housing, land trusts, apartment complexes. The money is eventually repaid, allowing it to be reinvested in new projects, resulting in a total loan volume of \$14 million. That amount has been leveraged to obtain \$77.6 million in state and federal affordable housing development funds, and \$28.4 million in private investments.

Since the state pre-emption on CETs was lifted (in 2016), five Oregon cities have joined Bend in picking up this tool. Portland, which has a severe shortage of affordable housing, is one of them. Others include Hood River and Cannon Beach--cities where housing is increasingly priced out of reach for many of the workers on whom their economies depend. Eugene is one of seven other cities, ranging from Salem to Sisters, where

a CET is being considered. Eugene's CET proposal comes from the intergovernmental Housing Policy Board. The board recommends a 1 percent CET that would apply to the value of both residential and commercial construction. That's the same rate as in other cities that have approved CETs in the wake of the 2016 legislation--except for Corvallis, which levies a 1.5 percent CET on commercial construction.

A 1 percent CET in Eugene would raise an estimated \$3 million a year during periods when construction activity is strong, as is currently the case. If Bend's experience is a reliable guide, that amount could be expected to leverage 7.5 times that much in public and private investment, or about \$25 million a year.

It's risky to extrapolate from Bend's figures. Federal support for affordable housing development is declining. The tax plan that is expected to emerge from Congress this month is likely to steeply reduce the value of the affordable housing tax credits on which most projects have relied. At the same time, Eugene has a set of highly experienced and creative low-income housing developers in non-profit organizations and local government agencies who can be expected to find ways to continue their work no matter what happens at the federal level.

Any additional financing would be useful — affordable housing projects are usually financed with money from a variety of sources, and there's almost always a scramble to fill a gap. A Eugene CET could serve that purpose. It would also be a uniquely flexible source of funds, free of the restrictions and limitations that can drive up the per-unit cost of federally financed low-income housing projects.

A CET will be opposed in some quarters of the construction and real estate industries — it would add to the cost of new housing in a market where prices are already high. The tax applies only to the value of construction, not land, so the effect on the total cost of real estate would be less than 1 percent. About two-thirds of the tax would be collected from commercial construction projects. McConnell says that Bend kept opposition to its CET at a minimum by involving representatives of the construction and real estate communities in crafting the tax and giving them seats on the city's Affordable Housing Advisory Committee, which decides how the revenues will be invested. Eugene would be well-advised to do what it can to bring potential opponents on board--some of whom will see that Bend is experiencing the state's biggest building boom despite the tax, and that many builders have benefitted from the \$120 million in construction activity the CET has generated.

Even with a CET, Eugene would have a serious lack of affordable housing — but it would be less serious than it otherwise would be, and over time the city's inventory of affordable housing would grow.  
(December 10, 2017)

Finally, MUPTE (Multi-Unit Property Tax Exemption) is another tool for increasing the supply of affordable housing that has been employed by Eugene and is now being considered by Springfield. *The Register-Guard* editorial on the subject states that:

Eugene's MUPTE program has been controversial for, among other things, awarding major tax breaks to out-of-state developers who used them to build student apartments, prompting complaints that these tax breaks were giveaways that didn't address the critical shortage of affordable housing. The Eugene City Council suspended the MUPTE program in 2013 and reinstated it two years later with stricter rules, including a requirement that at least 30 percent of the units built using MUPTE have affordable rents, or alternatively, that the developer pay 10% of the waiver's value to a city affordable housing fund. Even with these fixes, resentment over previous MUPTE tax breaks has lingered....This doesn't mean that MUPTE can't be useful, if proper guidelines are in place to make sure the tax breaks are awarded only if they meet a clearly defined housing need.

Springfield, which has seen just one new market-rate apartment complex built in the past decade, certainly has a need. The council seems to be off to a good start in meeting this need by making sure that any tax breaks would be clearly defined and would benefit the city and residents in desperate need of housing... Springfield councilors reviewed neighborhoods where developers potentially could qualify for up to a decade of waivers on the taxable value of a new building. (Dec 10, 2017)

The areas under consideration are along Main Street between 32nd and 67th streets, Marcola Meadows, the Mohawk Boulevard and Centennial Boulevard areas, and north of Highway 126 between Pioneer Parkway and 19th Street. These areas meet some key requirements for affordable housing, including zoning that allows multi-family construction and proximity to public transportation... In Springfield, city officials previously have said that the vacancy rate for this type of housing is near zero. (February 15, 2018)

Information on the City of Springfield's website reports that the city adopted a temporary waiver from some system development charges (SDCs) for newly permitted accessory dwelling units (ADUs). The waiver from transportation, storm water, and local wastewater SDCs is effective from July 1, 2017 to June 30, 2019 and is expected to reduce the cost of construction by \$5,000 to \$6,000 per unit. The City has also been considering development code amendments to make it easier to build ADUs with final Council adoption scheduled for March 5, 2018. (<http://www.springfieldor.gov/dpw/AccessoryDwelling>). (Downloaded February 14, 2018)

In late February 2018 the Eugene Council held a work session on housing affordability and missing middle housing that covered several current city initiatives that could have an impact on the situation, including consideration of the construction excise tax (CET), planning projects for urban reserves, growth monitoring, the River Road-Santa Clara Neighborhood Plan and identifying regulatory barriers to the development of affordable housing. (Feb 26, 2018 Work Session Agenda, Item C).

## **Two of Many Housing Success Projects: Excerpted from *The Register-Guard* Editorials**

### **Cornerstone Community Housing**

Twenty-five years ago, 60 townhouse-style apartments, called Woodleaf Village, were built by Metropolitan Affordable Housing Corp in the South Hills of Eugene. Neighbors' fears of increased crime, lower property values and worsening traffic have not been realized. The corporation changed its name to Cornerstone Community Housing three years ago. According to *The Register-Guard*:

Over the years, Cornerstone has planned and built nine other complexes and now has a total of 483 units that provide affordable housing for 1,126 people, more than a third of whom are children. The complexes range from the 102-unit West Town apartments next to the WOW Hall in downtown Eugene to the 14-unit Oak Leaf Village in the Santa Clara area.

Cornerstone's formula has remained consistent from the start: Build high-quality apartments, and follow through with programs that encourage a sense of community which in turn engenders neighborhood acceptance and provides a wealth of hidden resources for residents, such as cooperative day-care arrangements and an interest in ensuring that the properties are well cared-for.

Rent for a one-bedroom apartment in a Cornerstone complex averages \$457 a month. That means a tenant working full-time at Oregon's minimum wage of \$9.75 an hour will pay 22.5% of her income in rent, well below the 30% overburdened with housing costs threshold. Cornerstone finances its projects with capital from a patchwork of sources, usually including funds from the Oregon Housing and Community Services Department supplemented with money from donations, grants and other sources. Its five-year plan calls for construction of 122 units, 22 at Delta Court, plus 100 more, where again high-quality construction and

strong support for residents will be top priorities. The addition of 122 affordable units will be welcome, but Lane County could use 10 times that many or more. (October 29, 2017)

### **Emerald Village**

Emerald Village, a subdivision of 22 permanent tiny houses, is taking shape on a one-acre plot on Railroad Boulevard. According to *The Register-Guard*:

SquareOne Villages launched the project three years ago and also operates Opportunity Village. A six-figure donation put SquareOne over the top in its effort to raise \$300,000 for the purchase of the raw land.

Fourteen local architects were recruited to meet the challenge to design a house that can be built with \$15,000 in materials and \$10,000 in labor, all donated. The houses are fully plumbed and wired, with kitchens and baths and range in size from 160 square feet to 288 feet.

Residents will pay \$250 to \$350 a month, including utilities. The village will be incorporated as a limited equity cooperative whose members will be responsible for upkeep of their houses and the common areas. Members will agree to contribute 10 hours a month of labor to the village, attend monthly meetings and abide by a set of rules prohibiting drugs, violence, excessive noise, and other anti-social behavior.

Included in the monthly payment will be a \$50 equity share that will build up in each member's account for 30 months. At the end of that period the \$50 will no longer be collected, and the accumulated \$1,500 will be refunded to members who move away.

Emerald Village is already being replicated. SquareOne Villages is building a 13-unit tiny house complex in Cottage Grove (in partnership with the Cottage Village Coalition). Similar projects could be developed in Eugene and elsewhere, perhaps at a lower cost per unit than Emerald Village as tiny-house designs and construction methods become standardized. (October 15, 2017)

### **Conclusion**

Much energy in our community is being directed to addressing the lack of available and affordable housing. The work of *Register-Guard* editorial writers Jackman Wilson and Ilene Aleshire brought attention to the issue and highlighted efforts to address the problem and showcase solutions that were within reach. We congratulate them for making this year's *Editor and Publisher's* list of 10 Newspapers That Do it Right for the Focus on Homelessness package and appreciate their willingness to share it with us for this reports. The complete archive can be found at <http://registerguard.com/rg/opinion> and clicking on Focus on Homelessness.

### **Study questions**

1. Is poor housing better than no housing? Consider the following types:

- a. car camps
- b. Conestoga huts

- c. **doubling up (couch surfing)**
  
- d. **substandard housing which is unhealthy and unsafe**
  
- e. **rest stops (legally approved and managed camping spots)**

**2. How do you feel about having denser housing in your neighborhood? For example, would you be willing to support it in your neighborhood association meetings?**

**3. How do you feel about ADU's (granny flats)? How about these on your property or in your neighborhood?**

**4. How should the League be involved in our community's efforts to address the subject of homelessness and housing in Lane County?**

**5. Which funding solution(s) might you favor?**

**6. What else do you wonder about concerning the subject of housing availability & affordability?**

## **Resources**

Eugene City Council, "Feb 26, 2018 Work Session Agenda," Item C

[Oregon Business Plan 2018 Policy Playbook](#), p9

[Springfield-Eugene Consolidated Plan for 2015](#)

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<http://www.springfield-or.gov/dpw/AccessoryDwelling>, accessed 2/14/18.

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