ARH Portfolio Financial Report Study

Oregon Housing and Community Services
July 14, 2025 (last updated August 25, 2025)

Executive Summary

Oregon Housing and Community Services (OHCS) analyzed the financial performance of affordable housing properties in the state's portfolio from FY21 to FY23 to identify trends in operating expenses and understand the current reality of affordable housing property performance. The study found that per-unit operating costs rose from $6,306 in FY21 to $7,621 in FY23, representing an increase of 20% during that timeframe, compared to a 10% increase in inflation. This outpaced revenue growth of 11%, contributing to declining net operating income and heightened financial strain across the portfolio. Administrative, maintenance, and tax/insurance costs saw increases of at least 17% between FY21 and FY23 with maintenance expenses rising by more than 25% - all of which contributed to more properties falling below their anticipated debt coverage thresholds.

These findings reveal mounting financial pressures on affordable housing providers among all types of properties, locations and sizes. Many pressures are external to providers, including higher inflation, higher interest rates, rising wages, staff shortages, pandemic effects, and supply change issues. The current situation represents an historic threat to Oregon's affordable housing stock and emphasizes a need for action. Some such actions may include revisiting underwriting assumptions in development projects, considering the need for increased property stabilization investments, and working with partners on potentially new ways of supporting long-term sustainability of projects.

Introduction

Why are we doing this study

Oregon Housing and Community Services (OHCS) actively works toward the long-term sustainability and affordability of housing throughout the state. By highlighting trends across key expense categories and financial metrics, this report aims to provide property owners, developers, investors, policymakers, and other stakeholders with actionable data to support informed budgeting, planning, and policy making.

Affordable housing properties often face greater financial constraints than market-rate developments. Tracking how operating costs change over time is critical to maintaining both financial viability of the properties and long-term affordability for tenants. This analysis enables OHCS and its partners to better anticipate challenges, strengthen asset management strategies, and uphold Oregon's commitment to preserving affordable housing across the state. To continue to build new properties, organizations and funders must understand what is needed to preserve their existing properties.

The Affordable Rental Housing (ARH) Division conducted a comprehensive portfolio analysis of operating expenses and key financial metrics, focusing on annual financial reports from FY21 to FY23. The last major portfolio-wide financial analysis, conducted by the Housing Development Center (HDC) in partnership with Meyer Memorial Trust, examined reports from FY13 to FY15: and found an average per-unit-per-year (PUPY) operating expense of $5,200. Given the time elapsed and the evolving economic landscape, there is a clear need to better understand current expense and revenue trends.

Data collection

OHCS ARH adopted the ProLink record-keeping system as its system of record in FY20. By FY24, ARH Portfolio staff entered the first full set of annual financial reports for the entire portfolio into ProLink, using data from the FY23 reporting year. In FY21 and FY22, staffing limitations left some gaps in data entry, requiring a few updates to be deferred.

The following types of properties are required to submit financial reports to OHCS on an annual basis:

- Properties with 10 or more units funded with: Low Income Housing Tax Credit (LIHTC), Local Innovation and Fast Track Program (LIFT), conduit bonds, operating agreements
- Properties regardless of number of units: risk-share, Tax Credit Assistance Program (TCAP), 1602 exchange, Elderly and Disabled (E&D), Home Investment Partnership Program (HOME)

If a property only receives OHCS funding resources not on this list, they are not required to submit a financial report. Financial submissions are due within 90 days of a property's fiscal year end. Properties file reports based on their fiscal year, which often aligns with the calendar year, particularly for LIHTC-funded properties. ARH staff review and verify each submission before uploading it to ProLink. Each submission includes the ProLink standard template, structured to align with HUD's chart of accounts, along with supporting documents such as the independent auditor's packet, internal profit and loss statement, balance sheet, trial balance, and records of any casualty loss expenses.

Methodology

This study only includes reports that OHCS has reconciled and approved to ensure high-quality data. A few other notes on how OHCS cleaned and analyzed the reports:

- Analysts removed reports with blank totals from calculations, including blank total expenses, total operating expenses or total revenue.
- Furthermore, they removed a small number of outliers – those exceeding three standard deviations from the mean – as these often indicate data entry errors or unique circumstances that could skew the report's findings. Each year, OHCS removes fewer reports as data entry and analysis systems continue to improve.
- Since assisted living facilities (ALFs) operate under financial models that differ significantly from other property types, analysts exclude them from most analyses.
- Unless otherwise specified, all reported averages reflect means.
- Financials are all in nominal dollars, reflecting the face value of money as recorded in the financial system and without any adjustments for inflation. Any comparison to inflation is from the annual consumer price index (CPI) for the US Western Region[1].
- All years represent fiscal years.
- Totals may differ from the sum of individual line items by up to $1 due to rounding.

While the year-over-year data offers valuable insights, compounded annual growth rates (CAGR) provide a clearer view of long-term trends by minimizing short-term fluctuations. However, since this study spans only three years, researchers cannot yet calculate CAGR but plan to do so in the

[1] Consumer Price Index, West Region — December 2022 : Western Information Office : U.S. Bureau of Labor Statistics and Consumer Price Index, West Region — December 2023 : Western Information Office : U.S. Bureau of Labor Statistics

future. OHCS is committed to keeping this analysis current by adding an additional year of data on an annual basis. For precise definitions and calculation methods used in this report, refer to the appendix at the end.

KEY TAKEAWAYS: Not all properties with OHCS funding are required to submit financial reports, and OHCS removed blanks, outliers, and assisted living facilities when calculating average (mean) values.

Summary Statistics and Financial Metrics

Summary Statistics

The table below shows the total number of reports included in this analysis. The number of reports corresponds to the number of property financial reports used for analysis. As of May 2025, there were approximately 1,015 properties in the OHCS portfolio, or receiving some form of OHCS funding. Not all funding streams require financial reporting.

Property type	2021	2022	2023
Properties required to submit financial reports	786	796	823
Properties with submitted reports	715	759	759
Properties removed from the dataset: ALFs	30	35	37
Properties removed from the dataset: blanks/outliers	246	43	22
Main dataset: Properties (reports) used for analysis	**439**	**681**	**700**

Overall, there are 748 unique properties (47,086 units) in this dataset over three years.

Financial Metrics

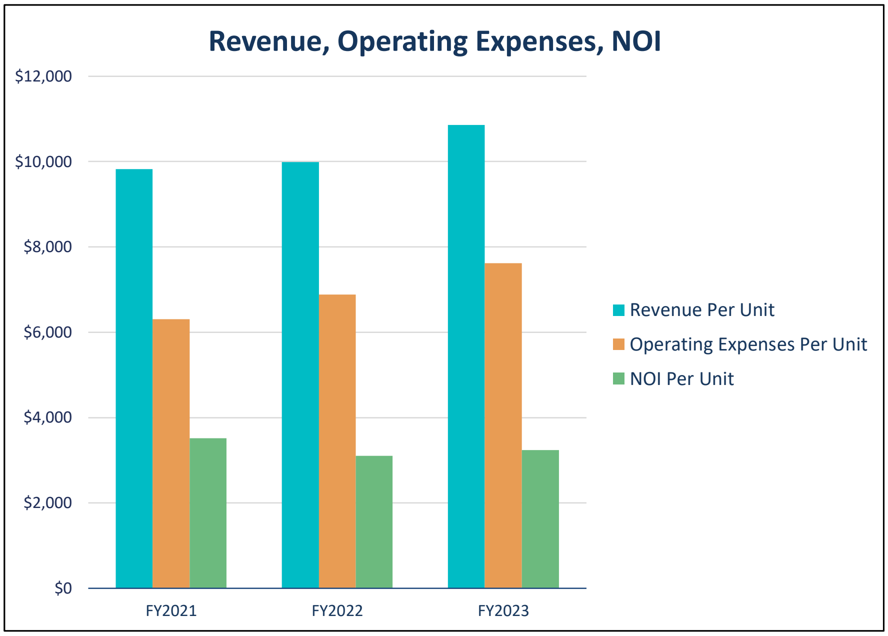
The table below shows the main, portfolio-wide analysis, along with the year-over-year (YoY) percentage changes.

Metric	2021	2022	2023
Net Income per unit	-$2,229	-$2,934	-$3,484
NOI per unit	$3,519	$3,104	$3,237
Revenue per unit	$9,825	$9,992	$10,858
Total Expenses per unit	$12,054	$12,926	$14,342
Operating Expenses per unit	$6,306	$6,888	$7,621
Income to Expense Ratio	1.53	1.43	1.39
Vacancy Loss	4%	5%	6%
% of Properties with DCR <1.1	24%	34%	39%
Debt Coverage Ratio	1.75	1.42	1.34

Year-over Year Change	2021-2	2022-3
Net Income per unit	-32%	-19%
NOI per unit	-12%	+4%
Revenue per unit	+2%	+9%
Total Expenses per unit	+7%	+11%
Operating Expenses per unit	+9%	+11%
Income to Expense Ratio	-7%	-3%
Vacancy Loss	+30%	+14%
% of Properties with DCR <1.1	+44%	+12%
Debt Coverage Ratio	-18%	-6%

NOI per unit remained relatively stable over the three-year period, decreasing slightly from $3,519 to $3,104 in FY22, before rising to $3,237 in FY23. While operating expenses increased, revenue also increased at a slightly lower rate.

However, net income per unit – which includes non-operating expenses – worsened each year, falling from -$2,229 in FY21 to -$3,484 in FY23. This financial strain indicates increasing debt interest obligations and non-operating costs that are not captured in NOI.



It is important to note that net income and NOI do not measure the true financial picture of the OHCS portfolio and do not include payments such as principal debt payments and deposits to the replacement reserves. Debt Coverage Ratio (DCR), calculated below, accounts for these payments.

(NOI – annual deposit to replacement reserve) / annual senior hard debt service

Overall DCR dropped from 1.75 to 1.34, and the percentage of properties with DCR below 1.1 increased from 24% to 39%. A DCR threshold of 1.1 was chosen because it represents the minimum requirement for modeling a property's financial feasibility. The percentage is more useful than the number of properties, since the number of properties in our dataset increased overall from FY21 to FY23. While 39% of properties reported a DCR below 1.1, enough well-performing properties helped raise the overall average to 1.34. As a comparison, the FY23 *median* DCR is 1.24.

This DCR calculation is presenting similar information to a cash flow analysis. Not all properties in the OHCS portfolio have debt – DCR is calculated just for properties with annual debt service. In FY23, 10% of properties reported no senior debt service.

Vacancy loss increased from 4% to 6%. Vacancy loss is harder to verify for accuracy and OHCS does not have this data for all properties in FY21 and FY22; the calculation is based on the information that is currently available. Vacancy loss is calculated as vacancy divided by gross potential revenue, with gross potential revenue from several types of income including rental income for residential, commercial, and garage/parking space. It does not include laundry and vending revenue or other tenant charges. This metric only considers uncollected rent from unoccupied units, occupied units that are not paying rent appear under bad debt expenses, in the administrative category of operating expenses.

KEY TAKEAWAYS: This report analyzes financial data from FY21 to FY23, for 748 unique properties, representing 47,086 units. DCR, a metric that includes payments such as debt payments and replacement reserve deposits, decreased from 1.75 to 1.34, with 39% of properties in FY23 below the critical threshold of 1.1.

Operating and Non-Operating Expense Trends

Year	Operating Expenses	Non-Operating Expenses
2021	$6,306	$5,748
2022	$6,888	$6,038
2023	$7,621	$6,722
Change 2021-2022	$582 9.2%	$291 5.1%
Change 2022-2023	$733 10.6%	$683 11.3%

This section breaks down operating and non-operating expenses across OHCS funded affordable housing properties. Affordable housing property owners and policymakers can gain valuable insights from tracking and analyzing trends in different expense categories. Given that these properties generally operate on tighter profit margins compared to market-rate housing, understanding expense patterns is particularly critical. Recognizing which expenses tend to rise year-over-year, which remain stable, where shifts in these trends are happening, and how each category contributes to total operating expenses can support more informed decision making.

From FY21 to FY22, average operating expenses increased by $582, or 9.2%, compared to 6.2% for inflation. This upward trend continued into FY23, with an additional increase of $733, representing a 10.6% rise from the previous year, compared to 3.7% for inflation. As a comparison, the median operating expenses from FY21 to FY23 are $5,989, $6,356 and $7,145; an increase of 6.1% from FY21 to FY22 and 12.4% from FY22 to FY23.

Operating Expenses: Increases Across the Board

Year	Administrative	Utility	Operating and Maintenance	Tax and Insurance	Elderly Expense
2021	$2,099	$1,087	$2,180	$867	$73
2022	$2,198	$1,116	$2,567	$920	$86
2023	$2,458	$1,233	$2,778	$1,075	$76
Change 2021-2022	$99 4.7%	$29 2.7%	$387 17.8%	$54 6.2%	$14 18.6%
Change 2022-2023	$260 11.8%	$117 10.4%	$212 8.3%	$155 16.8%	$(10) -12.0%

Examining the components of operating expenses highlights important trends in cost distributions across key categories. From FY21 to FY23, all major categories experienced increases, with several experiencing significant year-over-year growth.

Administrative expenses rose steadily over the two-year period, increasing by 4.7% from FY21 to FY22, followed by a sharper 11.8% increase from FY22 to FY23. Utility expenses increased at a slower rate in FY22, rising by 2.7%, before accelerating to a 10.4% growth in FY23.

Operating and maintenance expenses, the largest category, rose significantly from FY21 to FY22, jumping by 17.8%, or $387, in just one year. Although growth slowed to 8.3% the following year, the upward trend continues. Rising costs in repairs, replacements, and ongoing property upkeep likely drive this increase, though the underlying drivers remain uncertain without additional analysis.

Tax and insurance expenses also increased sharply, particularly from FY22 to FY23, when they increased by $155 – a 16.8% rise following more moderate growth from FY21 to FY22.

By examining these shifts in detail, OHCS can anticipate key cost drivers and plan more effectively for future budget needs. As additional data becomes available, deeper trend analysis will refine forecasting and strengthen strategic decision-making.

Year	Electric	Gas	Water	Garbage
2021	$220	$30	$472	$279
2022	$252	$35	$414	$304
2023	$302	$44	$437	$352
Change 2021-2022	$32 14.4%	$5 16.6%	$(58) -12.2%	$25 9.0%
Change 2022-2023	$50 19.7%	$9 26.1%	$23 5.5%	$48 15.9%

Partners had a particular interest in specific utility costs. This analysis is a portfolio-wide average, reflecting the typical financial impact across all properties, including properties with no reported expenses in these line items.

Non-Operating Expenses: Trends and Implications

Non-operating expenses - including depreciation, amortization, and financial costs - have increased over the past two years, with increases in depreciation, amortization, and financial expenses outpacing inflation of 3.7% in FY23.

Year	Depreciation & Amortization	Financial	Other
2021	$3,576	$1,791	$381
2022	$3,718	$1,830	$491
2023	$4,074	$2,090	$558
Change 2021-2022	$142 4.0%	$39 2.2%	$110 28.8%
Change 2022-2023	$357 9.6%	$260 14.2%	$67 13.6%

Depreciation and amortization account for the largest share of non-operating expenses. These costs rose by $142, or 4% in FY22 and increased again by $357 or 9.6% in FY23. This upward trend highlights a continued need for focus on long-term capital investment and asset maintenance as buildings face higher costs for repair and rehabilitation. These costs could be increasing due to rising project costs and more complex financing structures. With an average net income in FY23 of -$3,484, properties cannot fully cover depreciation expenses, meaning that they must rely on outside capital to replace or rehabilitate fixed assets.

The Financial category includes debt interest and mortgage insurance, and rose significantly in FY23, by $260 or 14.2%.

The Other non-operating expense category exhibited the highest year-over-year percentage increases. This category is a catch-all category, and detailed information on the specific expenses coded here is not provided in financial reports. Expenses in this category jumped by 28.8% in FY22 and rose an additional 13.6% in FY23. Although the dollar increases - $110 and $67, respectively -

are smaller than those in other categories, the persistently high growth rates point to emerging or evolving cost areas that merit closer examination.

Together, these shifts signal mounting financial pressures beyond anticipated operations. Identifying the specific drivers behind these non-operating expenses is crucial to understanding the broader fiscal dynamics shaping affordable housing across the state.

KEY TAKEAWAYS: Operating expenses increased from $6,306 in FY21 to $6,888 in FY22, then rose further to $7,621 in FY23, reflecting year-over-year growth of 9% and 11%, outpacing inflation rates of 6% and 4%. The primary driver of these increases was heightened spending in the operating and maintenance category, followed by taxes and insurance. Non-operating expenses, including depreciation, amortization, debt interest, and mortgage insurance, have also grown. Generally, expense categories experienced more significant percentage increases in FY23, compared to FY22.

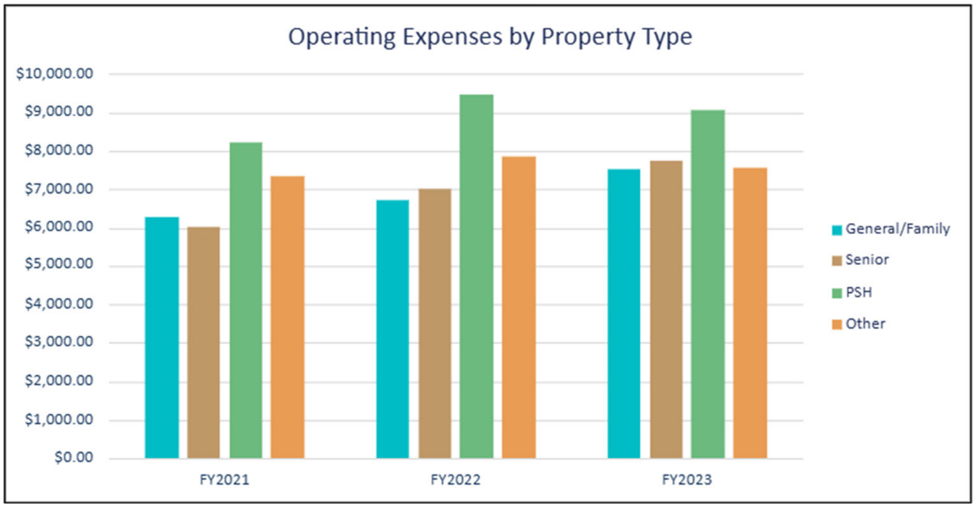
Patterns by Property Type, Geography and Size

Property Type Trends

This section analyzes operating expense trends across four main property types: General/Family, Senior, Permanent Supportive Housing (PSH), and Other. Each property type has distinct financial models, resident populations and needs, and operational requirements that can influence their expense patterns. The resident services plan was used to determine a property's type. Once a property has moved to long-term oversight, OHCS Portfolio staff review the Resident Services Plan and Affirmative Fair Housing Marketing Plan to understand whether demographics align with the outcomes of adopted affirmative marketing plan strategies as outlined in the funding application.

- If a project includes any PSH units (ranging from 3% to 100% of total units), the entire project is included in the PSH category. PSH projects have units designated to serve households exiting chronic homelessness, and these units are operating with project-based rent assistance and tenancy support services.
- The Other property type includes, but is not limited to, housing for populations with disabilities.
- This dataset does not include manufactured home parks, as those property types are typically funded through the Generalized Housing Account Program (GHAP), which does not require financial reporting.
- Assisted Living Facilities were not included in the main dataset due to their significantly different financial models. In FY23, Assisted Living Facilities had operating expenses per unit of $49,020 and revenue per unit of $56,547.

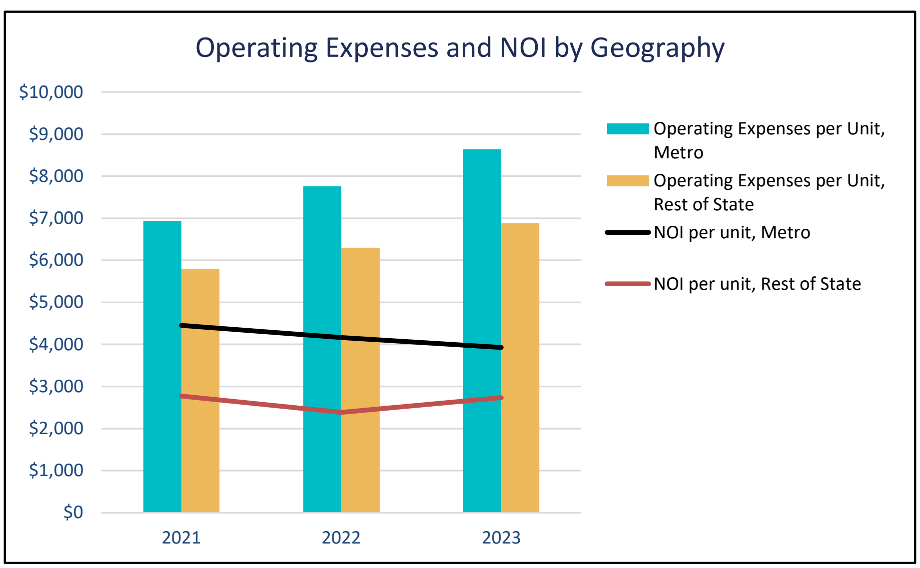
Operating expenses per unit consistently increased across all property types from FY21 to FY23, though the scale and pace of growth varied by category.



PSH properties reported the highest operating costs, peaking at $9,477 per unit in FY22 before declining slightly to $9,062 in FY23. While this decrease was marginal, operating costs for other property types continued to rise. In FY22, PSH had a $2,749 higher operating cost per unit than General/Family properties, but by FY23 this difference shrank to $1,539. It is important to note that most PSH services are generally budgeted for outside of the asset's operating budget and not reflected here.

Geography Trends

Location plays a crucial role in shaping expense trends. For this analysis, OHCS compares the Portland Metro Area – defined as Washington, Multnomah and Clackamas counties – with the rest of the state. The bar graphs are average operating expenses per unit, and the line graphs are average NOI per unit. While operating expenses are higher in the Portland Metro, NOI is higher as well, given that revenue is higher in the Portland Metro than the rest of the state.
Operating expenses in the Portland Metro Area increased by 12% in FY22 and 11% in FY23, compared to 9% both years for the rest of the state. This larger rate of increase is driven by Operating and Maintenance expenses.



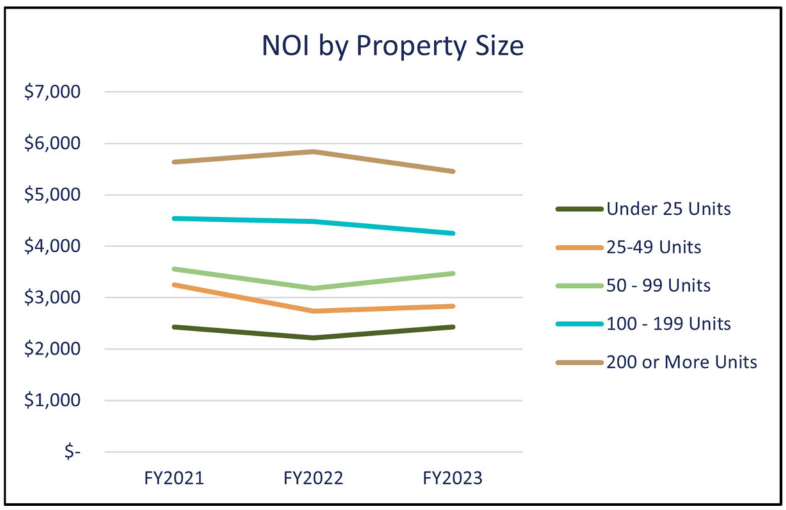
The online dashboard will have more location analysis, including by county. See the "Next Steps" section for more details.

Property Size Trends

Properties by # of Units	Under 25 Units	25-49 Units	50-99 Units	100-199 Units	200+ Units
2021	79	148	121	65	26
2022	142	236	191	80	32
2023	136	243	203	85	33
Total	**357**	**627**	**515**	**230**	**91**

To evaluate the impact of scale, OHCS divided properties into five size categories based on unit count. In all three years, the largest share of properties is between 25-49 units.

Analyzing operating expenses by property size helps identify economies of scale or challenges unique to smaller or larger developments. There is a clear trend of NOI per unit increasing as the property size increases. However, from FY22 to FY23, properties with 100-199 units or 200+ units saw their NOIs decrease, while other properties sizes saw their NOIs increase.



KEY TAKEAWAYS: While this analysis reveals mounting financial pressures across property type, location and size, OHCS found higher operating costs with PSH properties. In the Portland Metro area, elevated operating expenses are offset by higher revenue, resulting in greater net operating income compared to the rest of the state. Additionally, larger properties benefit from economies of scale, achieving higher net operating incomes.

Next Steps

OHCS will use this information to evaluate whether policies like the underwriting standards or the preservation framework need to be updated and will continue to work with partners on potentially new ways to support long term sustainability of these properties. While this report does not reveal anything that property owners are not already experiencing, it clarifies the financial symptoms facing properties in Oregon and suggests some potential causes. The next and more crucial step is to use this information to help determine the remedies.

In Summer 2025, OHCS will launch an online dashboard featuring the full dataset, offering more tools for filtering and data analysis. Additional filtering will include by county. OHCS is planning to publish an updated operating expenses report annually, adding a new year of financials.

Appendix

Financial Metric Calculations and Definitions

- **Net Income:** Total Revenue – Total Expenses
- **Net Operating Income (NOI):** Total Revenue – Total Operating Expenses
- **Operating Expenses:** Administrative, Utilities, Operating/Maintenance, Taxes/Insurance, Elderly Services. *See the next section for more details on Operating Expenses*
- **Non-Operating Expenses:** Depreciation, Financial (debt interest), Other
- **Debt service:** Senior hard debts (interest and principal), plus fees and insurance premium. *This report does not include Junior Hard debts interest and principal in debt service or DCR calculations*
- **Replacement Reserve:** A restricted account used to pay for planned future replacements of major building systems and components
- **Debt Coverage Ratio (DCR):** (NOI – annual deposit to replacement reserve) / annual debt service. *More conservative measure of a project's ongoing health by factoring in ongoing capital reserve needs*
- **Vacancy Rate (Loss):** Vacancy / gross potential revenue
  Gross potential revenue includes residential, commercial, garage and other rent. Vacancy refers to revenue lost due to vacant, or unoccupied, units.
- **Liquidity ratio:** (Cash + short-term investment) / current liabilities
- **Income to expense ratio:** Revenue / (Total operating expenses + annual deposit to replacement reserve). *Alternative metric to DCR for properties that do not have hard debts*

OHCS Standardized Financials – based on HUD's Chart of Accounts

Notes: The ProLink standard financial template categorizes operating expenses into five main groups: administrative, utilities, operating/maintenance/ taxes/insurance and elderly services. Instead of listing payroll as a standalone category, the template embeds payroll costs within all categories except Utilities. These costs include Office Salary, Property Manager, Payroll (catchall), Payroll Taxes and Payroll Insurance.

1000 Asset

- 1100 Current Assets (includes cash, accounts receivable, tenant deposits, and other current assets)
- 1200 Prepaid Expense
- 1300 Funded Reserve (replacement reserve, escrow deposit, and other reserves)
- 1400 Fixed Assets
- 1500 Investment Long-term
- 1900 Other Assets

2000 Liability

- 2100 Current Liability (accounts payable, accruals, prepaid rent, and other current liabilities)
- 2300 Long-term Liability (developer fee, mortgage, and other long-term liabilities)

3000 Equity

- 3100 Owner Equity

5000 Revenue

- 5100 Rent Revenue
- 5200 Vacancy
- 5400 Financial Revenue

5900 Other Revenue

6000 Expense

6200 Administrative Expense (advertisements, office salaries, office supplies, management fees, property management and superintendent salaries, legal expenses, audit expenses, accounting services, phone services, bad debt, other general administrative costs)

6400 Utility Expenses (fuel, electricity, gas, water, sewer)

6500 Operating and Maintenance Expense (payroll, maintenance supplies, contracts, garbage, security, vehicle, other O&M expenses)

6600 Depreciation and Amortization Expense **non-operating expense*

6700 Tax and Insurance Expense (property tax, payroll tax, property insurance, payroll insurance, other)

6800 Financial Expense (senior hard debt interest, junior hard debt interest, mortgage insurance, other financial expense) **non-operating expense*

6900 Elderly Expense (dietary, nursing, medical, laundry, housekeeping, other) **only for properties financed with OHCS Elderly & Disabled (E&D) bonds*

7000 Other Expense

10000 Other Financial

11300 Reserve Deposit

11400 Property Valuation

15100 Rental Revenue

15200 Occupancy Info

16800 Mortgage Principal Payment

17100 Cash Flow