

## Oregon HUD PRO Housing Grant Executive Summary

Oregon is currently experiencing a severe housing shortage, which increases housing costs, reduces housing affordability, and is the primary cause of the homelessness crisis in the state of Oregon. It hinders the State's economic prosperity and prevents too many Oregonians from maintaining housing stability, which is the foundation of every family's health, well-being, and economic stability. The greatest shortage of housing is that which is affordable to households earning below the median income. The Oregon Housing Needs Analysis (OHNA) estimates there is a current housing shortage of nearly 140,000 homes across the state. To keep up with demand, in addition to addressing the current shortage, Oregon will need to produce approximately 36,000 units each year for the next 10 years with more than fifty percent of those being affordable to households with incomes less than 80% of Median Family Income (MFI).

Meeting this production goal requires a tremendous level of public investment and a commitment to innovation between the public, private and nonprofit sectors to address identified barriers to affordable housing development and preservation. As such, Oregon Housing and Community Services (OHCS) has partnered with the Oregon Department of Land Conservation and Development (DLCD) to submit a HUD Pathways to Removing Obstacles to Housing (PRO Housing) grant in the amount of \$10 Million dollars. Resources included in the HUD PRO Housing grant application are being requested to further the following goals:

- Support Oregon communities in furthering affordable housing production goals outlined in the Oregon Housing Needs Analysis (OHNA) by addressing identified barriers to affordable housing development.
- Align with the State of Oregon Analysis of Impediments, Governor's budget priorities, and partner discussions to address barriers to the development of affordable housing through infrastructure offsets to project-specific affordable housing projects.
- Affirmatively further fair housing by addressing barriers that perpetuate segregation and removing impediments that inhibit access to well-resourced areas of opportunity for protected class groups and vulnerable populations and that concentrate affordable housing in under-resourced areas.

OHCS as the lead applicant is proposing to use \$7 Million dollars of the total request to incentivize affordable housing development in rural communities through infrastructure subsidies. OHCS will leverage these resources with our existing development dollars to ensure a continuation of affordable housing development in our rural communities.

An additional \$3 Million dollars is included in the HUD PRO Housing application for DLCD as the grant subrecipient to fund updates to local government development and zoning codes to remove regulatory barriers to the production of housing. Additionally, DLCD intends to build and expand a library of resources and guidance local governments can use to quickly and readily implement policies that facilitate increased housing production, affordability, and choice.

Oregon's HUD PRO Housing application will include a \$1 Million leveraged contributions in the form of OHCS and DLCD salary and fringe for staff working on grant activities.

## HUD Pro Housing Grant Rating Factor Responses

### a. Need

#### i. Efforts to Identify, Address and Mitigate Barriers to Affordable Housing Production

Oregon's recent efforts to identify, address, and mitigate barriers to affordable housing have focused increasingly on the impact of state and local land use regulations on affordable housing production, particularly as they impact groups of people protected by fair housing laws. Much of Oregon's land use regulations delegate decisions to local cities and counties. The ability of private real estate markets to meet the housing needs of any community is strongly affected by zoning, subdivision, and land development regulations adopted by local governments. Local regulations that may market-appear neutral can have the effect of increasing housing prices that may reduce not only housing affordability in general but the supply of housing available to Fair Housing-protected citizens specifically. It is possible for local regulations and practices that intentionally or unintentionally exclude some types of housing to offset the impact of affordable housing subsidies or increase the amount of subsidies necessary for the market to meet housing needs. Additionally, when local regulations effectively or have the potential to limit housing choice for certain protected classes, they create fair housing barriers.

#### Recent Efforts

Highlights of recent efforts to identify, address, and mitigate barriers to affordable housing production are summarized in the documents and processes below with the key barriers identified by each:

- [2021 Oregon Analysis of Impediments to Furthering Fair Housing](#)  
Section V of the Oregon AI provides a review of state level public sector barriers to fair housing in Oregon and provides a detailed overview of the impacts of Oregon zoning, land use, and urban growth boundary regulations on affordable housing development and the link to fair housing.
- [Oregon Housing Needs Analysis \(OHNA\) Recommendations Report](#)  
The OHNA Recommendations Report discusses, in the context of land use planning and its connection to housing development, the importance of identifying and taking action to reduce barriers to affordable housing production in
- [Oregon State Legislature](#)  
In the 2022, the Oregon Legislature passed a \$200 Million bipartisan housing package that addresses the lack of development subsidies as a barrier to affordable housing development.
- [Governor's Housing Production Advisory Committee \(HPAC\)](#)  
Recommendations from HPAC formulate a specific action plan for meeting affordable housing development annual and 10 year goals and call out specific impediments and barriers to meeting these goals as well as suggested strategies to address them.

## Housing Needs in Oregon

The Oregon Housing Needs Assessment (OHNA) provides a comprehensive, city-by-city estimate of housing need by income, along with data and information about how local housing outcomes vary by race and ethnicity, age, disability status, and other identity markers. When implemented, it will be a regularly updated data suite that can be used to set state and local housing production targets. It provides a more accurate representation of full housing need and a more equitable distribution of affordable housing throughout regions. In the methodology alone, the OHNA takes a big step toward equitable outcomes compared to the current methods to determine housing need in Oregon, by incorporating historic housing underproduction and housing needed for people experiencing homelessness into future production targets, and by using regional incomes to project housing need by income level. In addition, the OHNA is the source of annual housing production dashboards that provide clear metrics that can be used to track and monitor real production outcomes and metrics related to housing equity.

In 2021, the Oregon State Legislature directed Oregon Housing and Community Services (OHCS) and the Department of Land Conservation and Development (DLCD) to deliver recommendations on how to implement the Oregon Housing Needs Assessment (OHNA) in advance of the 2023 Legislative Session.

In response, on her first day in office, Governor Tina Kotek signed Executive Order 23-04 (EO 23-04). This order sets an ambitious housing production goal of 36,000 homes per year and establishes the Housing Production Advisory Council (HPAC). The annual housing production goal represents an 80 percent increase over current annual trends. If Oregon is to build 360,000 additional homes over the next decade significant changes must be made to the ecosystems of land and infrastructure development, housing construction, public and private finance, as well as development codes and regulations. Identifying the most relevant of such changes that can quickly accelerate the pace of building is the work of the Council. The executive order requires that fifty percent of the annual statewide production target of 36,000 homes must be affordable to households making less than 80 percent of Area Median Income (AMI) to meet the need.

Recent examples of efforts undertaken by Oregon to preserve affordability, increase access to housing accessibility in high opportunity areas and invest in underserved communities can be seen in both legislative actions and the implementation of programmatic elements in current funding sources.

- **Preservation of Affordability**

As Oregon strives to increase affordable housing across the state, preserving the affordability of existing housing units is also a priority.

- **Increase Access to Affordable Housing Accessibility in High Opportunity Area**

The Affordable Housing Land Acquisition Revolving Loan Program (LAP) was created in 2017 by the Oregon legislature to assist eligible organizations in Oregon to purchase land suited for affordable housing rental and homeownership development.

- **Investments in Underserved Communities**

Oregon has prioritized equitable distribution of resources across the state, particularly in underserved communities by including geographic set asides in all affordable housing rental housing funding offerings. Additionally, recent HOME ARP resources were allocated with a rural focus.

## ii. **Acute Demand for Affordable Housing and Remaining Affordable Housing Needs**

Oregon has an acute need for affordable housing in both rural and urban communities.

- **Rates of unsheltered homelessness:** According to the 2022 HUD Annual Assessment Report, Oregon has one of the highest rates of unsheltered homelessness with nearly 62% of homeless people not having shelter.
- **Cost burden:** According the American Community Survey data, 55% of Oregon renters with incomes below 80% are severely cost burdened, spending more than 50% of their income on rent.
- **Rent to Income ratios:** In Oregon, a worker making minimum wage would need to work 82 hours per week to afford a 2-bedroom apartment.

## iii. **Key Barriers to Producing and Preserving Affordable Housing**

The [Housing Production Advisory Council Plan Framework](#) is Oregon's most recent effort to identify leading barriers to affordable housing production and affordability in Oregon.

## **b. Soundness of Approach**

### **i. Vision**

Oregon's PRO Housing grant proposal requests resources to address 3 key barriers to developing affordable housing across the state of Oregon through a combination of planning/admin activities and direct subsidies for affordable housing development:

#### **1. OHCS: Affordable Housing Development Infrastructure Costs (\$7 Million)**

OHCS is proposing to allocate direct development subsidies to affordable rental projects (under 60% MFI) located in rural communities where inadequate infrastructure is an impediment to affordable housing development. Subsidies will be allocated to projects applying through regular funding solicitations that indicate pro forma line item gaps for infrastructure. Eligible costs will include:

- SDC fees
- Offsite costs
- Additional infrastructure charges from local governments

#### **2. DLCD: Review and Update of Local Zoning Codes (\$1 Million)**

DLCD is proposing to allocate technical assistance funds to local governments throughout Oregon to conduct development and zoning code updates to remove regulatory barriers to the development of housing. Local government projects under this activity vary in scope from audits of development and zoning codes to identify and address barriers, to general cleanup of outdated development and zoning codes, to specific, targeted updates to come into full compliance with state and federal housing laws. Projects funded under this activity have already been submitted to the department and scopes of work have already been vetted. As part of other regular technical assistance grants funded by the State of Oregon each odd numbered year, local governments submitted more applications for funding than the state could fund. This highlights a real lack of capacity and resources at the local government level to do the work of updating and maintaining development and zoning codes. The timeframe of expected benefit is two phased. First, the local governments receiving funding receive an immediate benefit to address an identified need to update their development and zoning codes in favor of increased housing production. All projects funded under this grant would conclude in conjunction with the close of the State of Oregon fiscal biennium on June 30, 2025. The second timeframe of benefit is long term. Once the local government updates their development or zoning code, property owners receive the benefits of reduced barriers to housing production indefinitely from that point on. This leads to more ability of property owners to expand development on their land properties and increased housing opportunity for the larger community

#### **3. DLCD: Resources and Guidance for Local Governments (\$2 Million)**

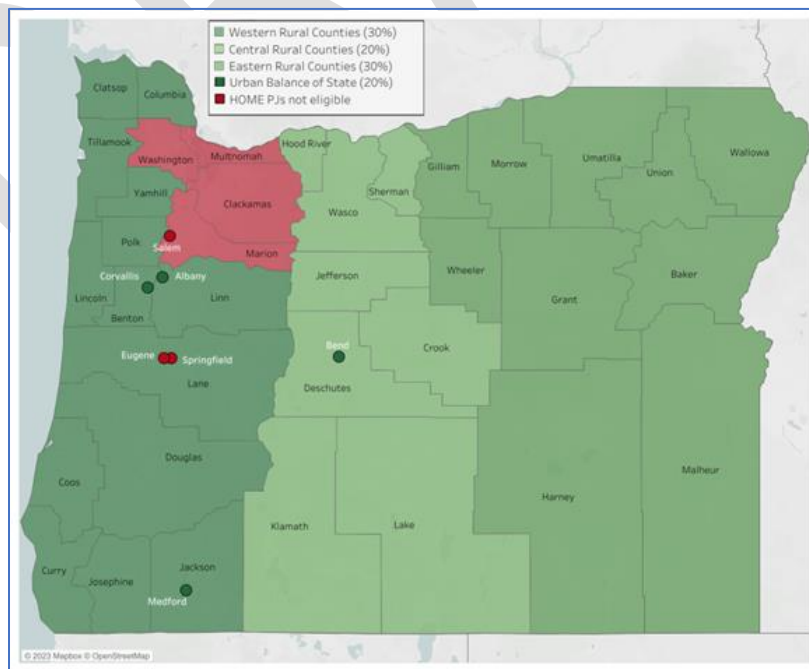
DLCD is proposing to create and refine a statewide library of "adoption-ready" housing tools, actions, and policies. The purpose of this activity is to centralize the administrative,

logistical, research, and policy development burden of housing policy and laws at the state level. Creating and hosting this library at the state level increases local government capacity and saves them the time and resources it would typically take to develop their own policies, carte blanche. The state’s library of policies would be in an “adoption-ready” form meaning that all of the background research, context, policy analysis, and ordinance language would be completed. Local governments may adopt these policies “off-the-shelf” or may use them as a starting point for further refinement or adapting to their local context. The timeframe of benefit from this activity would begin in earnest starting January 1, 2025 and last for approximately 6-8 years. The development of the policy library envisioned under this activity will take time to develop. DLCD anticipates publishing the first version of the library on or before January 1, 2025. The resource may then be used by local governments in the development of local Housing Production Strategy Reports or as part of other housing planning activities under Statewide Planning Goal 10. The benefit of this resource has diminishing returns as policies and guidance become stale or out of date. DLCD anticipates needing to continually update this resource at least once every five years as more best practice research is conducted.

**ii. Geographic Scope**

The proposed geographic focus for Oregon’s HUD PRO Housing proposal is the entire state of Oregon with project-specific infrastructure subsidies being targeted to affordable rental housing development in rural communities where increasing the number of affordable housing units is the priority.

**PLACEHOLDER MAP**



### iii. Key Stakeholder Engagement

As Oregon strives to better understand both the causes and solutions related to its housing crisis, input from stakeholders, impacted communities, and the public has been critical to identifying strategies for moving forward.

### iv. Proposal Alignment with Affirmatively Furthering Fair Housing

***• Describe your plans to remove barriers to the development of affordable housing in well-resourced areas of opportunity. How will your proposal increase access for underserved groups to these areas? What is the racial composition of the persons or households who are expected to benefit from your proposed grant activities?***

The State of Oregon is taking a proactive approach to remove barriers directly associated with the cost of financing affordable housing development in rural communities. By targeting barriers associated with financing, particularly those linked to additional infrastructure requirements imposed by local governments, Oregon aims to facilitate the construction of affordable housing through allocating PRO Housing resources to offset site-specific development costs like water, sewer, stormwater, and transportation. OHCS is proposing to grant PRO Housing resources directly to affordable rental housing development projects being constructed in rural communities that will be seeking development assistance from OHCS to serve low-income households. This initiative not only addresses the immediate financial obstacles but also emphasizes the importance of collaboration between the state and affordable housing developers to meet the housing needs of rural communities.

One of the new approaches to preserving and developing affordable rental housing is to explore developing an incentive program to improve the condition of naturally occurring affordable rental housing while preserving affordability. For example, grants or low interest loans for condition improvements in exchange for guaranteed affordability for a term of years.

The State's Analysis of Impediments (AI) show that 17% of Oregon households are severely cost burdened. Black/African Americans are 1.9 times more likely to be severely cost burdened where Native Americans and Hispanics are 1.3 times more likely to be severely cost burdened.

***• Describe your plans to remove barriers impeding the development of affordable housing that would promote desegregation. What policies or practices perpetuate segregation and how will your proposal address them?***

Oregon's lack of housing and decades of underbuilding have driven up home prices and rents and left too many without adequate housing choices. The people who are suffering most acutely from our housing shortage are disproportionately lower income households and communities of color.

The State of Oregon is taking a comprehensive approach to tackle affordable housing challenges, especially in rural communities, through collaboration with the Department of Land Conservation and Development (DLCD). The focus on utilizing funding to offset site

development costs associated with essential infrastructure aligns with the broader goals outlined in the OHNA. The dual strategy of funding updates to local government codes and providing resources to streamline housing production showcases a commitment to addressing both regulatory and practical hurdles. It's not just about constructing affordable housing but actively working towards a more inclusive and accessible housing landscape.

In collaboration with the Department of Land Conservation and Development (DLCD), the State of Oregon proposes to utilize its funding request to support housing development goals identified in the Governor's Executive Order 23-04 and the OHNA with a focus on addressing barriers directly associated with the cost of financing affordable housing development in rural communities. Specifically, grant resources will be programmed to offset site development costs associated with the additional infrastructure (water, sewer, stormwater, and transportation) required by local governments as part of permitting an affordable housing project.

DLCD would fund updates to local government development and zoning codes to remove regulatory barriers to the production of housing. Additionally, DLCD intends to build and expand a library of resources and guidance local governments can use to quickly and readily implement policies that facilitate increased housing production, affordability, and choice.

By addressing these policies and practices head-on, the proposal aims not only to create affordable housing options but also to actively work towards dismantling the barriers that have contributed to segregation.

***• Describe any equity-related educational resources, tools, or public input that have informed your proposal.***

The resources and tools used for the grant proposal are the 2021 State of Oregon's Analysis of Impediment to Fair Housing Choice, the 2022 Oregon Housing Needs Analysis (OHNA) Draft Recommendations Report: Leading with Production, and the 2022 Oregon System Development Charges Study: Why SDCs Matter and How They Affect Housing.

The 2021 Analysis of Impediments to Fair Housing (AI) is a document that the State of Oregon submitted to the Department of Housing and Urban Development (HUD) identifying impediments to fair housing choice within the State. OHCS utilizes the AI to demonstrate the steps it is taking to eliminate these impediments and progress reports are reported to HUD on an annual basis through the Fair Housing Action Plan (FHAP).

The 2022 OHNA is a comprehensive, city-by-city estimate of housing need by income, along with data and information about how local outcomes vary by race and ethnicity, age, disability status, and other identify markers. The OHNA was developed in response to the severe shortage of affordable housing and homelessness statewide. The OHNA estimates the number of housing units needed for the next 20 years, for all of Oregon's cities, by income level, including people experiencing houselessness, and allocates those units down from the regional to the city level.



In 2021, the Oregon Legislature passed House Bill 3040 (HB 3040), which directed OHCS to prepare a study of System Development Charges (SDCs) – a form of one-time impact fees charged on new development to help pay for infrastructure that serves or provides capacity for growth. The legislature requested that the study cover the history of charges, methodologies for setting the fees, recent trends in fee levels, how the fees relate to other development costs, and how they ultimately affect cost and production of housing.

In 2022, the report Oregon System Development Charges Study: Why SDCs Matter and How They Affect Housing was published by ECONorthwest on behalf of OHCS. Some key findings are:

1. SDCs have become an essential funding mechanism in many Oregon communities, for practical, political, and policy reasons.
2. SDCs also increase the cost of building new housing in ways that can skew housing development towards higher-cost homes and can impact buyers and renters.
3. Some jurisdictions have implemented SDC measures to support affordability, but broader adoption is hindered by administrative, legal and financial concerns.
4. SDCs are a funding mechanism, reducing SDC costs broadly in the interest of housing production and affordability would require greater availability of other funding for infrastructure that does not increase development costs or burden low-income households.

In 2022, OHCS released its Racial Equity Analysis Toolkit (REAT). The development of a customized REAT is an incredibly important step and tool in intentionally and diligently centering equity and racial justice in our work. It ensures we are truly operationalizing our equity and racial justice work and ensures accountability to those most impacted by housing instability in Oregon. The use of the REAT will support decision-makers in developing and taking actions that reduce racial inequities and put success within reach of all people within all regions across the State of Oregon.

***• Do you plan to engage and support minority-, women-, and veteran-owned businesses during your proposed housing production process? Do you have a diversity and equity plan in place or plan to create one?***

Promoting diversity and equity in the housing production process is a priority. OHCS requires sponsors to seek Certification Office for Business Inclusion and Diversity (COBID) certified and non-COBID certified MWESB professional firms to increase the participation level of minority-owned business in their construction projects. OHCS also encourages the use of local labor and partnering with the community to help build healthy, affordable homes, which addresses OHCS's goal of increasing apprenticeship programs in Oregon and improving economic and social vitality. The OHCS MWESB Compliance Manual addresses the marketing and outreach requirements of OHCS-financed development. Developers are required to provide a copy of MWESB Compliance Manual to general contractors and both sign an acknowledgement form.

The State of Oregon has established a system for monitoring and reporting on the engagement of minority-, women-, and veteran-owned businesses. Regular reporting ensures transparency and

accountability, allowing for adjustments to strategies based on the performance. By integrating these measures, the proposal seeks to not only create affordable housing but also to contribute to a more equitable and inclusive local economy.

**v. Budget and Timeline Proposal**

The costs included in the proposed budget are based on input from local rural communities, affordable housing developers, and affordable housing development consultants.

If HUD awards a dollar amount lower than the full requested amount, proposed outcomes will be reduced proportionately with regards to the number of affordable housing units assisted with HUD PRO Housing resources.

**i. Capacity and Staffing Plan**

The lead applicant for this HUD PRO Housing grant is Oregon Housing and Community Services (OHCS). OHCS will manage the grant, oversee implementation of all proposed activities and coordinate grant resources allocated to the grant sub-recipient, the Oregon Department of Land Conservation and Development (DLCD). OHCS is the Housing Finance Agency (HFA) and HOME Participating Jurisdiction (PJ) for the state of Oregon. DLCD is the state agency charged with overseeing and implementing Oregon's statewide land use planning programs.

As the recipient of resources allocated through HUD Community Planning and Development (CPD), OHCS is well versed in the administration of HUD funds, including the programmatic requirements of CDBG. OHCS has an experienced staff person solely responsible for ensuring projects funded with federal resources comply with the environmental regulations of 24 CFR Part 50 and 58. OHCS has also administered HUD funding for programs utilizing the Disaster Recovery Reporting System (DRGR) being utilized for HUD PRO Housing grant resources and is familiar with the grant set up, draw down, and reporting functions associated with the DRGR platform.

The experience of OHCS in working with civil rights and fair housing issues can be seen the Oregon Analysis of Impediments to Fair Housing and OHCS designs all affordable housing programming to

Oregon's HUD PRO Housing Grant application was written primarily by the OHCS and DLCD staff reflected in the grant proposal budget:

1. Andrea Matthiessen, HOME and Housing Trust Fund Program Manager OHCS
2. Glenn Muna, Operations and Policy Analyst, OHCS
3. Ethan Stuckmayer, Housing Services Division Manager, DLCD

#### **d. Leverage**

##### **i. Leverage**

Oregon will leverage HUD PRO Housing grant resources through the contributions of the full amount staff time necessary for OHCS and DLCD to implement proposed grant activities:

- OHCS leverage in the amount of 2,790 staff hours over the 6-year life of the grant valued at \$111,600 including salary and fringe.
- DLCD leverage in the amount of 1,500 staff hours over the 6-year life of the grant valued at \$60,000 including salary and fringe.

#### **e. Long Term Effect**

##### **i. Permanent Long-Term Effects and Outcomes**