
Oregon Housing & Community Services

Affordable Housing Preservation Strategy Framework (2023)

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Updated August 2023



“Oregon Housing & Community Services is committed to not only developing more affordable housing but preserving current affordable housing to ensure diversity, resilience, and a sense of belonging within a community can last for generations.”

- Director Andrea Bell





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Executive Summary

Pictured below: YaPoAh Terrace in Eugene, OR



What is preservation and why is it important?

Keeping existing rent-restricted housing affordable and well-maintained over the long term is as important as building new affordable housing. The State's Preservation efforts generally focus on periodically investing in the physical condition and financial sustainability of existing affordable projects as they age, in return for extending the rent restrictions attached to the property. Other related Preservation priorities include renewing federal rent assistance contracts attached to specific properties, and supporting the preservation of manufactured home communities as long-term affordable housing options.

While it's easy to become focused on housing units and project finances, it is critical to keep the potential impact on residents at the center of Preservation efforts.

If a project is lost to market-rate or falls into disrepair, low-income residents may face a potential nightmare of losing stable housing they can afford.

This Framework represents a summary of the scale and scope of known Preservation challenges, a plan for updating and refining data, and a set of priorities and policies to guide OHCS going forward.

Estimating the scale of preservation challenges

OHCS estimates that in the next 10 years, about 94 rent-restricted properties across the state (more than 5,800 units) lose affordability restrictions – and likely need recapitalization and rehabilitation. Based on recent data, preliminary estimates of the public subsidy required to preserve all of those could total nearly \$1 billion over the decade. Another 5,000 units owned by public housing authorities and nonprofits require significant repairs/rehabilitation, and more than 3,100 units have project-based federal rent assistance that could require additional subsidy to extend or renew.

OHCS priorities that will guide investments and policy

Depending on available resources, OHCS will prioritize the following categories for affordable rental Preservation:

- Extending or renewing long-term project-based federal rent assistance contracts
- Affordable properties at risk of converting to market-rate as rent or income restrictions expire
- Affordable rent-restricted properties at risk of loss due to physical or financial challenges
- Manufactured home parks owned or being acquired by a residents' cooperative or a nonprofit

Beyond the prioritization of State resources focused on Preservation, the Framework summarizes some important policy considerations and areas for further research related to Preservation, including:

- Additional incentives for owners or investors to maintain affordability
- Exploring other funding tools
- Tenant protections for residents in projects that lose affordability restrictions
- Issues related to improving the PuSH Process including dedicated resources for acquisition, notifications to tenants, Right of First Refusal, etc.
- Developing clear guidance around (and finding adequate resources for) multi-stage preservation efforts
- Training and technical assistance for partners active in Preservation, and strengthening the field of Asset Management generally
- Sustainability, climate resiliency, and “green-building” standards in Preservation projects
- Anticipating Preservation impacts of new and emerging programs
- Meeting the needs of both rural and urban communities

As with any area of work at OHCS, Equity and Racial Justice will be guiding principles in Preservation, specifically in supporting the capacity and sustainability of culturally-specific housing providers, protecting low-income BIPOC renters, and maximizing the participation of MWESB firms in work OHCS supports.



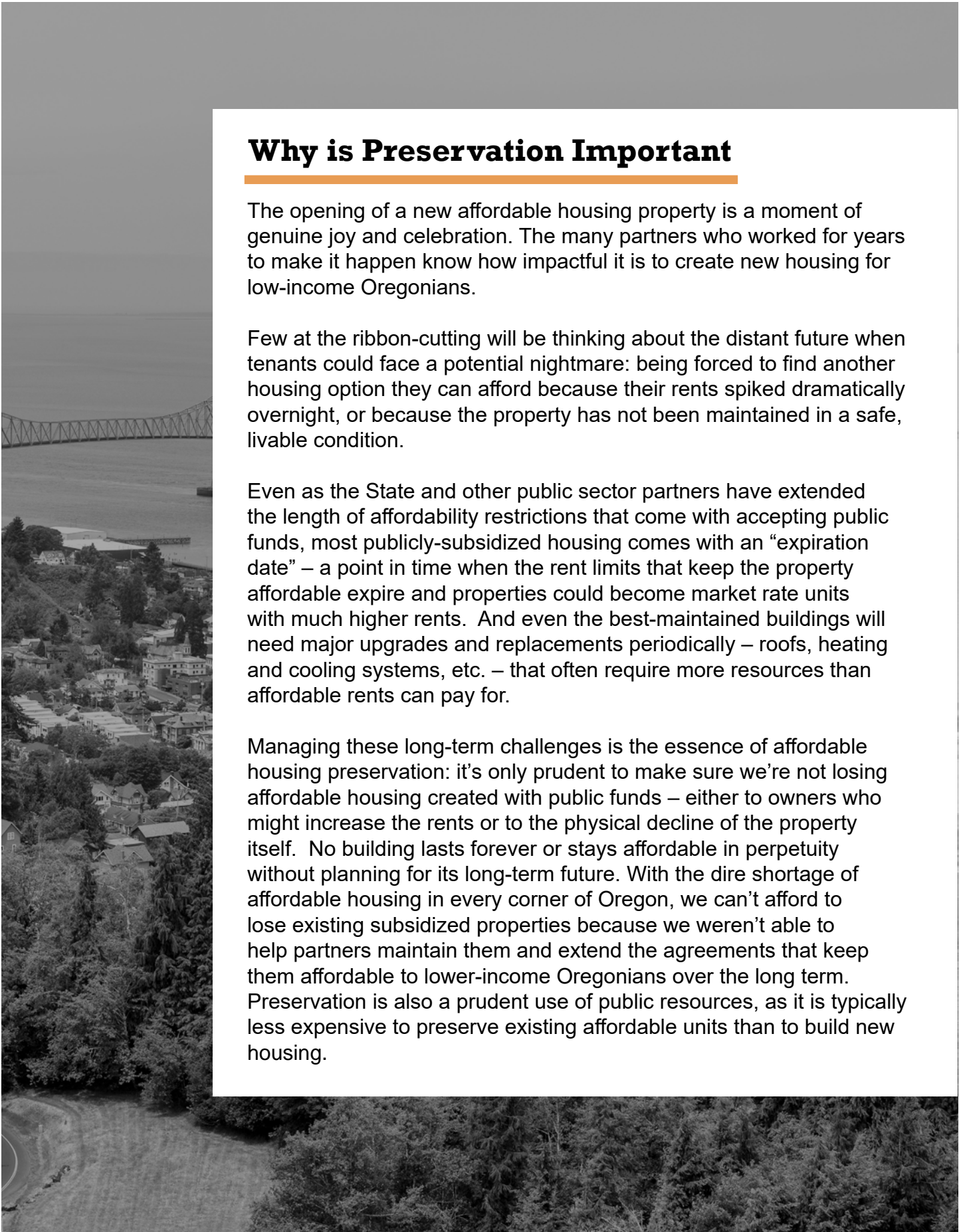
Why is Preservation Important

The opening of a new affordable housing property is a moment of genuine joy and celebration. The many partners who worked for years to make it happen know how impactful it is to create new housing for low-income Oregonians.

Few at the ribbon-cutting will be thinking about the distant future when tenants could face a potential nightmare: being forced to find another housing option they can afford because their rents spiked dramatically overnight, or because the property has not been maintained in a safe, livable condition.

Even as the State and other public sector partners have extended the length of affordability restrictions that come with accepting public funds, most publicly-subsidized housing comes with an “expiration date” – a point in time when the rent limits that keep the property affordable expire and properties could become market rate units with much higher rents. And even the best-maintained buildings will need major upgrades and replacements periodically – roofs, heating and cooling systems, etc. – that often require more resources than affordable rents can pay for.

Managing these long-term challenges is the essence of affordable housing preservation: it’s only prudent to make sure we’re not losing affordable housing created with public funds – either to owners who might increase the rents or to the physical decline of the property itself. No building lasts forever or stays affordable in perpetuity without planning for its long-term future. With the dire shortage of affordable housing in every corner of Oregon, we can’t afford to lose existing subsidized properties because we weren’t able to help partners maintain them and extend the agreements that keep them affordable to lower-income Oregonians over the long term. Preservation is also a prudent use of public resources, as it is typically less expensive to preserve existing affordable units than to build new housing.



Purpose and Scope of this Strategy Framework

This document aims to guide the State's ongoing investment in affordable housing Preservation by:

- Articulating a clear rationale for sustained investment in Preservation and forecasting a rough order of magnitude of the need over the next 10 years and beyond
- Defining which kinds of Preservation this strategy covers
- Establishing some high-level policy goals for Preservation, including goals connected to OHCS' commitment to Equity and Racial Justice
- Clarifying how OHCS will prioritize resources available for Preservation to meet those goals
- Helping inform our partners' planning around asset management and Preservation

How this strategy was developed

This Framework was developed in consultation with many internal and external stakeholders, including direct outreach and listening sessions with:

- The statewide Preservation Steering Committee convened by Network for Oregon Affordable Housing (NOAH), including review of 2022 round table discussions convened by NOAH
- Housing Oregon, the Oregon Housing Alliance, and the Oregon Housing Authorities
- Several community development corporations (including every culturally-specific housing provider with an existing housing portfolio), private developers and public housing authorities
- Key public sector partners including Portland Housing Bureau
- Other outside experts in preservation and housing finance including Housing Development Center
- OHCS staff, including Asset and Preservation Management, Affordable Rental Housing, Planning and Policy, and Research and Analysis

An early draft of the framework was shared with partners in March-April 2023, and their comments and suggestions were incorporated into the current draft. Several key themes emerged from this outreach:

- Treat Preservation as a high priority and fund it accordingly: Consistent, sustained funding for Preservation is essential for partners' planning as projects age; the total statewide need for capital to sustain aging properties far exceeds the likely resources OHCS can bring to bear
- "Preservation" is not one simple, consistent thing and really varies according to the nature of the project, the tenants served, the size and location of the project, etc.:
 - Preservation in mixed-use projects can be especially tricky – look for ways to reduce barriers there

- OHCS needs to continue to pay attention to distinct challenges of rural housing preservation and development; OHCS could do more to strengthen capacity and expertise for rural Preservation – we’re very reliant on a small number of partners now
- OHCS should take care not to unintentionally inhibit redevelopment of sites or adding units to a site in combination with Preservation – focus on preserving the number of affordable units, not specific physical buildings (when it makes sense to demolish and build new replacement units)
- Some processes and policies at OHCS could better support Preservation:
 - Consider reducing barriers and the cost to apply for Preservation funds, including requiring a full Capital Needs Assessment at application, seismic analysis, etc.
 - Future Preservation funding offerings should revisit points and threshold requirements; OHCS needs to look at what it wants to prioritize and incentivize: some needed projects could fail to reach minimum points or could be uncompetitive because of the way points are structured; make sure threshold requirements and criteria are really appropriate to preservation projects
 - Communication re: funding opportunities could be better – partners have sometimes missed opportunities because they were not aware of them in time
 - Partners would like to more proactively problem-solve with OHCS – how can we pair the right resources at the right time to address all the relevant capital needs in one round of funding?
 - The recent NOFA focused on lighter rehab (the Preservation Pool, which allowed up to \$35,000/unit in repairs) was really helpful; we don’t want to require projects to get really bad before we address needs that can’t be met from reserves; at the same time, we should try to minimize disruption to tenants and plan to address all relevant needs in one rehab scope when we can
 - The PuSH statute was a good start, but we need to see real resources to make it effective, integrated thoughtfully with other Preservation NOFAs etc.; enforcement of notification provisions etc. needs to be strengthened too
- The field of Asset Management needs more robust and consistent support:
 - Support focused on asset management and Preservation would be helpful – there has been a lot of turnover in asset management among partners and OHCS should consider hosting an annual conference, trainings, and other capacity-building support
- Other policies and constraints outside of OHCS’ immediate control are impacting Preservation:
 - Rising costs are creating major issues: operating costs are far higher in some cases than original underwriting predicted
 - Oversubscription of the State’s Private Activity Bond cap is currently impacting preservation planning – some projects will have to wait until 2024 at the earliest for 4% tax credits and bonds

- Revisit the prohibition on permanent relocation: this doesn't work well with the realities of LIHTC for over-income households that don't qualify for safe-harbor protections
- Look at expanding the pass-through exemption for OAHTC in Preservation projects



Pictured above: Pioneer Park in Veneta, OR

Background and Context: Recent Preservation Efforts

Until roughly a decade ago, few in the affordable housing industry were paying sustained attention to Preservation. Beginning in 2007, the Network for Oregon Affordable Housing (NOAH) led work that continues today as the Oregon Housing Preservation Project, a statewide collaboration of public and private stakeholders dedicated to preservation. This group focuses on developing solutions to urge policy makers and housing providers to devote more attention and resources to protecting the long-term affordability and viability of our existing rent-restricted housing stock.

Those efforts (with active support from OHCS) have helped lead to deeper shared understanding of the nature of Preservation challenges and the need to consistently fund work focused on Preservation. The 2022-2023 biennium saw the largest investment in Preservation ever by the State, a total of \$165 million between the 2021 and 2022 Legislatures (the largest previous allocation was \$25 million). OHCS followed that up by including a request for \$175 million in its current agency budget request for the 2023-24 biennium; the Legislature ultimately funded \$50 million for Preservation.





Pictured above: Nysa Court in Nyssa

Along with new resources, a series of important policy measures were adopted to enhance the Preservation efforts of OHCS and its partners, and to cushion the impact on tenants for projects with expiring rent restrictions:

- Statewide limits on rent increases adopted in 2021 and amended to further protect tenants in 2023 (for all rental housing, not just projects with expiring rent-restrictions) protect tenants against very large rent increases
- The Publicly Supported Housing Preservation (PuSH) program (2017, revised over three subsequent legislative sessions): established a Right of First Refusal for projects with expiring State or Federal rent restrictions and/or federal rent assistance, provided rules for notifying relevant public partners and tenants, and for the creation of the Oregon Affordable Housing Inventory (OAHI) to track expiring projects
- OHCS is currently developing a public-facing Dashboard tracking updated data on projects that could lose affordability or federal rent assistance in coming years
- Most forms of OHCS funding now come with 60 years of affordability since 2011, rather than the previous standard of 30 years
- Recent funding offerings from OHCS (including LIHTC and GHAP Small Projects) have had explicit set-asides or priorities for Preservation
- OHCS actively participates in the Affordable Housing Preservation Steering Committee convened by NOAH, which regularly brings together stakeholders and partners from across the state to share information and highlight emerging issues and opportunities
- Preservation of existing affordability in manufactured home parks has been aided by recent legislation around notification to residents, residents' opportunity to submit an offer to purchase, and the Legislature's funding of the Manufactured Dwelling Parks Preservation Fund, as well as a pilot program to help residents replace older, obsolete homes
- OHCS has had fewer issues than some other states with projects withdrawing from rent restrictions, due to conditions it has placed on recipients of federal LIHTC (prohibiting Qualified Contracts allowing partners to exit early, etc.)

The 2023 Preservation Strategy Framework

Articulating shared assumptions

Making explicit some core shared beliefs, expectations, and assumptions that bear on Preservation will help resolve issues and questions about OHCS' intent and goals:



1. Public-private nature of the current affordable housing delivery system: A complex ecosystem of funding affordable housing has grown up in the last fifty years which has been a dramatic departure from the mid-twentieth century experiment with federally-funded public housing. Most affordable housing now is delivered by a network of nonprofits, for-profit developers and local housing authorities, carrying out a public purpose with help from public resources. This public funding is not a matter of "charity" but is more correctly understood as a decision by the public sector to outsource the supply of a public good (low income housing)



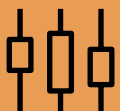
2. Projects don't last forever and all partners expect them to need recapitalization and rehabilitation at some interval: When affordable housing is constructed with public resources, public funders (including the State when it invests in projects) are entering a long-term partnership to maintain and preserve the housing, which will require periodic injections of additional subsidy as projects age.



3. Baseline expectations (for most properties) about what that interval should be: Whatever the affordability period (whether 30-years, 60-years etc.) attached to a particular kind of funding, it is reasonable to expect new construction, if designed and built properly, to operate successfully for about 30 years before needing major rehab. Barring construction defects or other unexpected challenges, partners should not expect OHCS to invest significant new subsidy into a property at shorter intervals. OHCS will need to balance reasonable flexibility around that standard with incentivizing prudent asset management by our partners.



4. OHCS' role in preserving affordable housing: The State of Oregon is a ready and willing partner in proactively addressing Preservation needs with its partners. While a sustainable and predictable source of funding dedicated to Preservation is a political decision that lies with the Legislature and the Governor, this Preservation Framework can help inform and guide public investment in alignment with the Statewide Housing Plan.



5. Replacement of obsolete units: Preservation is focused on avoiding the net loss of affordable units, NOT the preservation of specific buildings; sometimes a prudent approach will include the replacement of older, obsolete buildings with new units, and OHCS should ensure its funding requirements do not unnecessarily inhibit either replacing units or adding units to a site that currently includes affordable units.



6. Equity and Racial Justice: OHCS' commitment to Equity and Racial Justice will inform Preservation funding and policy, by attending to the racial justice impacts to tenants, culturally-specific nonprofit partners, and workforce partners carrying out Preservation work.

Identifying risks to affordability

This framework focuses on three main kinds of risk to making sure existing rent-restricted rental housing stays affordable and well-maintained over the long term:

1. The potential loss of federal project-based rent assistance
2. Properties where rent restrictions are expiring and ownership may choose to convert the property to market-rate housing
3. Properties with financial challenges and/or physical conditions that threaten their long-term viability as affordable housing

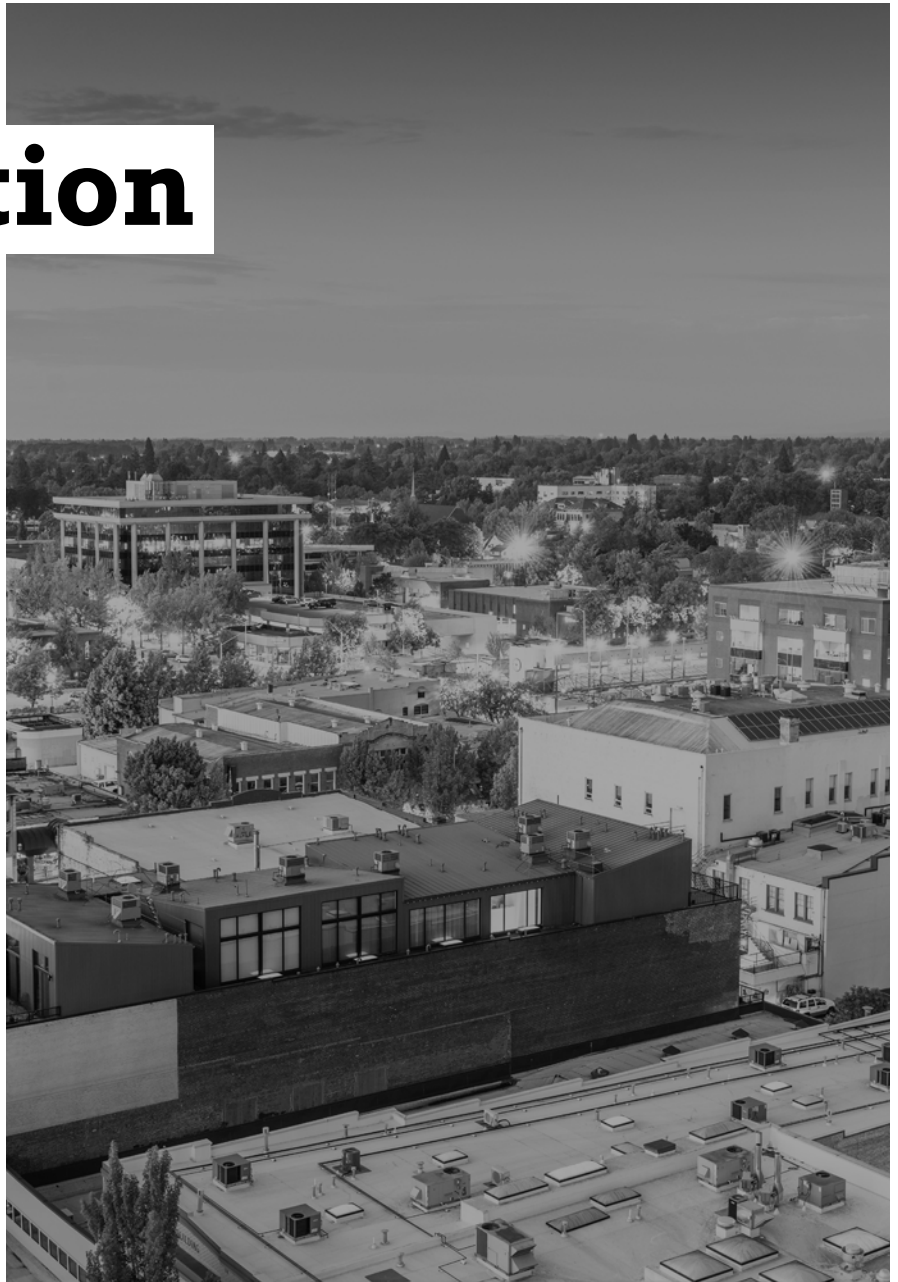
These challenges or risks can overlap in a particular project. The priorities section below describes typical categories of Preservation challenges, nuances around the nature of each, the potential impact to tenants, and other considerations in how OHCS should anticipate and respond to these categories



Four Preservation Priorities

This Preservation Strategy aims to help OHCS and its partners plan for several distinct sets of challenges generally connected with publicly-subsidized multifamily rental properties:

- Extending or renewing long-term project-based federal rent assistance contracts
- Affordable properties at risk of converting to market-rate as rent or income restrictions expire
- Affordable rent-restricted properties at risk of loss due to physical or financial challenges
- Manufactured home parks owned or being acquired by a residents' cooperative or a nonprofit



These categories have been the core focus areas in OHCS' recent Preservation work and will continue to be the four highest Priority Areas going forward.

While this is not an exhaustive list of topics and issues that fall under Preservation, this Framework is generally focused on affordable rental housing with a state or federal subsidy and on nonprofit- or coop-owned manufactured home parks, and so excludes homeownership, properties assisted only with a local subsidy (like a tax exemption or Systems Development Charge waiver), shelters, and group homes.



Extending or renewing long-term project-based federal rent assistance contracts

Estimated Need:

- Next five years (2023-2028): 68 projects, 1,892 units
- Six to ten years (2029-2033): 47 projects, 1,255 units

OHCS intent:

To the fullest extent feasible, ensure every federal project-based rent assistance contract is renewed.

This category consists of projects that do not necessarily include State of Oregon subsidies, but carry long-term federal rent assistance contracts tied to the properties ([See page 27](#)), either through the US Department of Housing and Urban Development (HUD) or through the US Department of Agriculture's Rural Development programs (USDA/RD). For some properties there is a risk of loss of affordability where owners could convert affordable housing to market-rate, but just as importantly, the key risk here is the loss of long-term rent assistance payments attached to the property that help keep rents affordable to tenants.

The numbers above do not include project-based rent assistance initiated and administered by local public housing authorities (PHAs), only the rent assistance contracts through HUD or USDA/RD. Housing authority-owned properties are also potential candidates for recapitalization and preservation, particularly as PHAs explore the recapitalization and conversion of public housing under HUD's Rental Assistance Demonstration (RAD) program.

Most of the time, owners with HUD contracts choose to renew those, and our partners in Oregon have historically had success with helping owners renew USDA/RD contracts (or find new owners willing to take on the properties and renew them). However, when owners of properties with HUD or USDA/RD contracts decide not to renew this creates an urgent preservation challenge: millions of dollars of federal subsidy that would come to Oregon and circulate in the local economy can be lost, and more importantly tenants can find themselves at severe risk of losing housing that's affordable to them.

OHCS' role: Where a project is performing well without major rehab needs and the owner chooses to renew HUD or RD contracts, OHCS may not have any involvement. Typically, OHCS resources come into play when a project changes ownership and the new owner moves to address deferred maintenance or other physical issues as part of a recapitalization and major rehab package.

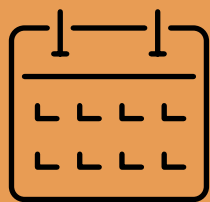
Challenges:

- Properties participating in HUD and USDA/RD programs typically were underwritten with very little margin for long-term maintenance, and depending on the owner can come with significant deferred maintenance or major rehab needs when it's time to renew the federal subsidies
- These projects also tend to serve very low income populations (and high percentages of seniors and people with disabilities) who can't afford a rent that would sustain the property without the federal subsidy

Challenges continued:

- USDA/RD projects are arguably the most acute challenges, because tenants in rural areas often have no other affordable housing nearby, and because only a few developers have the experience and capacity to successfully navigate the renewal process with USDA and other partners (currently one partner is responsible for the majority of rural preservation in Oregon involving USDA/RD)
- Finding ready buyers for projects up for sale or on the verge of withdrawing who have the capacity and availability to take on these challenges is difficult

Affordable properties at risk of converting to market-rate as rent or income restrictions expire

**Estimated Need:**

- Next five years (2023-2028): 33 projects, 2,289 units
- Six to ten years (2029-2033): 61 projects, 3,549 units

OHCS intent:

Focus resources on preserving affordability in projects that would have the most severe negative impact to vulnerable low income tenants if they were to convert to market

While some of these projects ([See page 27](#)) also have federal rent assistance as described above, the focus of preservation-related risk here is the loss of affordable units to market rate as rent restrictions end. Whether funded with federal Low Income Housing Tax Credits (LIHTC) or some other combination of federal/State funds, these projects require a set period of affordability in exchange for public subsidy. At the end of that time, owners have the ability to opt out of the restrictions on rents/incomes and raise rents over time to market rate. Preventing that outcome requires significant new subsidy to facilitate acquisition by an affordability-minded buyer (and often significant rehab as well).

Properties owned by public housing authorities or nonprofits committed to housing affordability face some of the same challenges around a need for major recapitalization and rehab (described in the next section), but are only in the most extreme circumstances at-risk of converting to market rate. The much greater risk of loss here lies with for-profit owners who can realize significant gains by converting a property to market and raising rents over time.

Given the scale of need here, we know that a significant number of these properties will convert to market-rate housing, as for-profit owners choose to convert them to market as affordability restrictions expire. In fact, OHCS is aware of 6 projects (totaling 336 units) lost to market-rate since 2020.

The gap – which will only grow over time – between the resources required and what the State can likely contribute essentially forces OHCS into “harm reduction” mode: in order to make informed decisions about which properties to preserve, we need to have a well-grounded assessment of the likely impact to tenants in properties approaching likely conversion to market-rate.

OHCS' role: OHCS is often an important partner in restructuring financing and ownership along with extending rent restrictions, and sometimes repairing projects reaching the end of their affordability. Finding the right new partnership and the resources to keep a property in the affordable portfolio can be a difficult challenge. PuSH legislation gives OHCS some tools to help identify a new owner, but more resources and incentives would strengthen OHCS' ability to save projects in danger of exiting affordable programs.

OHCS should bring a well-informed risk analysis to prioritizing resources aimed at extending affordability, focused both on the risk of loss (how likely is it to convert to market rate?) and the impact of potential loss (what happens to tenants and to the community if converted?). Some key factors in that risk analysis include:

- Market rents are well above current rents
- Current tenants are predominantly extremely low income, people with disabilities, or experience other significant challenges to finding alternative housing
- There are very few other affordable options in the community where the property is located
- The property's physical condition or financial challenges puts its long-term viability at risk

Understanding the likely impact to tenants deserves more attention and analysis: not all affordable properties would command the same rent as their market-rate neighbors, and tenants have some protection against massive sudden rent increases by state law. There are also other ways to cushion the impact to tenants even when properties convert to market-rate, including state-funded rent assistance that could be much less costly than a strategy focused solely on property acquisition.

More policy parameters around acquisition would be helpful as well, including a more strategic understanding of how OHCS should approach the timing and coordination of making an offer, and how much it's prudent to invest in a given project.

Challenges:

- The biggest challenge here is simply resources: the scale of need is several times the State's current ability to recapitalize and sustain every property over the next ten years
- Many of these properties are located in strong rental markets, where owners will understandably be motivated to opt out for higher rents
- Competing with for-profit buyers interested in acquiring expiring properties is difficult for partners who rely on public subsidies that are limited and highly-competitive (and therefore uncertain), and may take months to successfully obtain
- A market-oriented owner whose appraisal relies on market-rate rents will value a property at a much higher figure than affordable rents would justify; in effect public subsidy will pay the difference when we are competing with for-profit buyers
- Deferred maintenance and major systems replacement can create capital needs well in excess of available replacement reserves and cash flow generated by rent-restricted properties



Affordable rent-restricted properties at risk of loss due to physical or financial challenges

Estimated Need:

OHCS' partners have estimated the current need here among nonprofits and housing authorities to total around 90 projects and 5,000 units.

OHCS intent:

Work with partners to identify and develop plans to resolve challenges with the greatest negative potential impact on tenants and the partner organizations

With mission-aligned partners (including public housing authorities and nonprofits owning affordable projects), motivation to keep these projects affordable is not an issue so much as crafting a preservation solution that preserves long-term affordability and addresses outstanding physical and financial challenges connected with the property. In some cases, a nonprofit may have acquired an older property that it saw as an important opportunity to serve its community and expand its housing portfolio, and the property has developed financial and/or physical challenges that can't be managed within existing cash flow or organizational resources. Other properties in this category might include public housing that a housing authority has maintained for years despite limited funding from HUD, and it has just reached a point where major rehab or even a conversion to a different financing structure is necessary, or just a property that has been well-maintained for the last thirty years but serves a population at rent levels that mathematically can't support major necessary rehab.

OHCS' role: There is a role for the State to play in recapitalizing and rehabbing aging properties where factors beyond prudent asset management – very low rents, construction defects or other unanticipated challenges – lead to nonperforming assets that can put an organization's financial health and the residents' housing stability at risk. As in category #2 above, the expanding statewide need over time far outstrips available resources, and the risk assessment lens described there will also be necessary in this category to focus resources on our highest priorities.

A major rehab event requiring tens of millions of dollars is not the only way OHCS can assist property owners: smaller scale interventions like the Preservation Pool implemented in 2022 and the Portfolio Stabilization Program being established by the department's Asset and Portfolio Management (APM) section can help address some issues and ideally prevent manageable problems from becoming acute.

Challenges:

- With ownership motivated to keep the properties affordable, the biggest challenge here is identifying and targeting dedicated resources to bring these properties up to good condition and extend their useful life
- Owners need to balance difficult decisions here when approaching the State for assistance, between long- and short-term rehab needs and timing for major rehab/recapitalizations alongside other development projects



Manufactured home parks owned or being acquired by a residents' cooperative or a nonprofit

Estimated Need:

This is another category where quantifying high-priority properties is a challenge. Of the more than 1,000 investor-owned manufactured home parks statewide, not all are under threat of redevelopment, and not all are likely candidates for nonprofit- or cooperative-ownership

OHCS intent:

Continue to support the formation and operation of resident-owned cooperatives, and partner with nonprofits to acquire and improve investor-owned parks and preserve affordability

OHCS has considered manufactured home parks (MHP) under the umbrella of "Preservation" for the past several years even though MHPs are a fundamentally different housing type than most multifamily rental. While residents typically (but not always) own their own home in a park, they rent space from the park owner.

Manufactured home parks are a critical reservoir of housing that is affordable to tens of thousands of Oregonians and often the only affordable homeownership opportunity available to lower-income households. Residents of a typical park are extremely vulnerable to increases in space rent, especially when ownership of the park changes, and in the worst case scenario can go from homeowners to homeless overnight. Despite the older "mobile home" nomenclature, manufactured homes are rarely moved after they're first installed in a park, and an owner who can no longer afford space rent is likely to walk away from their home and most important asset because it's infeasible to move it. When a park's residents are forced out by rising rents or when a park is redeveloped, the dispersion of a settled community can be a tremendous intangible loss, over and above the housing impact.

In addition to nonprofit ownership of parks, Oregon has been a national pioneer in another creative long-term preservation strategy for these communities: helping residents form a cooperative to buy and operate their park together. When a co-op forms and acquires the park, addressing basic deferred maintenance issues (improving park roads, water and sewer lines and other infrastructure) is typically bundled into the deal. Residents of a park owned by a nonprofit or a co-op benefit from long-term predictability about the future of the park and the cost of their housing, and they gain a voice in how their community is managed.

OHCS' role: Preserving MHPs (whether through co-ops or nonprofit ownership) tends to require a substantial subsidy for park acquisition and for addressing deferred maintenance. OHCS has dedicated funding under the Manufactured Dwelling Park Preservation program to address a portion of the statewide need, typically assisting the purchase of roughly 2-3 parks per year in recent years.

OHCS' role: Preserving MHPs (whether through co-ops or nonprofit ownership) tends to require a substantial subsidy for park acquisition and for addressing deferred maintenance. OHCS has dedicated funding under the Manufactured Dwelling Park Preservation program to address a portion of the statewide need, typically assisting the purchase of roughly 2-3 parks per year in recent years.

Challenges:

- Only a few nonprofit partners currently have the expertise and a demonstrated interest in manufactured home parks
- As with multifamily rental properties that could fetch a higher price on the open market, a timely and nimble response from public funders is essential to successfully competing with for-profit buyers; while bridge financing from other lenders like NOAH have helped partners acquire projects, all partners would benefit from more clarity and certainty about OHCS' ability to support these transactions
- Both new and established co-ops require ongoing technical assistance to thrive; historically, much of the cost of that TA has been paid for from philanthropic sources, but more reliable public funding is worth considering

Other considerations impacting preservation



Rising costs: As with all of OHCS' development-related efforts, rising costs across the board are having a dramatic impact on partners' ability to match Preservation projects with sufficient resources: labor, materials, and interest rates are all moving in a direction that makes projects more difficult to finance



Partners' capacity: while the commitment of substantial public resources to affordable housing has brought some new national developers to Oregon, smaller community-based partners continue to experience challenges building their own capacity to take on more projects; OHCS also sees constraints in the construction labor market impacting projects, especially outside the state's larger cities



Agility and responsiveness: As with any publicly-subsidized effort, our partners can find it difficult to be as nimble and responsive as private market actors with far fewer stakeholders and simpler capital stacks



Impact on tenants: Reducing the impact on tenants can be complex even where Preservation efforts succeed, whether that involves helping them through the disruption of improvements to their homes, or temporary relocation while improvements are completed. Even after preservation, some tenants will see rent increases; without rental assistance there's a difficult balance for owners to manage between covering operating expenses and keeping rents affordable to tenants with the lowest incomes

Equity and racial justice in preservation work

Equity and Racial Justice (ERJ) is a core priority in all OHCS programs, as expressed in the Statewide Housing Plan, which directs OHCS to “Advance equity and racial justice by identifying and addressing institutional and systemic barriers that have created and perpetuated patterns of disparity in housing and economic prosperity.” By its nature, Preservation focuses on protecting existing tenants, and in some cases the Priorities identified here will lead to preserving some projects whose current tenant demographics will be less diverse than the surrounding communities they serve. In the aggregate though, OHCS Preservation efforts will incorporate sustained and thoughtful attention to ERJ as a high priority.

There are a number of opportunities to build ERJ into Preservation, notably in four specific areas:



Pictured below: Chaucer Court in Portland

- Impact on tenants: measuring and tracking how Preservation efforts benefit the housing stability of BIPOC tenants (and exploring how we might develop better data on the impact on BIPOC tenants when projects are not preserved)
- Supporting culturally specific housing organizations: making sure that organizations rooted in and serving BIPOC communities have equitable access to OHCS Preservation resources to maintain the affordability and viability of their portfolios
- Workforce diversity: ensuring that Preservation resources align with the State’s broader efforts to help build a more diverse development and construction workforce across Oregon
- Property management: supporting a skilled and diverse workforce in this area is as important as in development and construction; and fostering more culturally responsive property management is a key factor in residents’ housing stability and the success of affordable portfolios generally

These priorities lend themselves well to quantitative metrics, and next steps in Preservation work on ERJ will be to establish baseline data around recent performance in these three areas and track results going forward.

Other preservation related policy areas

Beyond building on the recent efforts OHCS has made in tracking information about expiring properties and providing dedicated resources for Preservation, it is likely that there will always be a list of current and emerging policy areas that the Preservation Framework should help inform. Notable current policy issues touching on Preservation include:

Additional incentives for owners or investors to maintain affordability

OHCS should be active and engaged in future discussions of potential incentives aimed at Preservation. The 2023 Legislature just established a new tax credit intended to incent selling to a new owner who would preserve the long-term affordability of an expiring property. Others have suggested incorporating a right-to-purchase properties at a specific price in OHCS funding agreements. Looking at longer periods of affordability is another way to extend the length of time between potential acquisitions to avoid conversions to market (City of Portland has begun to require 99 years of affordability on some projects).

Exploring other funding tools

OHCS should continue to look at additional ways to leverage its resources in service to Preservation, including exploring a revolving loan fund for acquisition.

Stronger tenant protections for residents in projects that lose affordability restrictions and, Issues related to improving the PuSH Program including dedicated resources for acquisition, notifications to tenants, Right of First Refusal, etc.

Recent legislative changes improved notifications and extended protections to tenants living in projects withdrawing from affordable programs, how Right of First Refusal operates under PuSH, and strengthened enforcement of PuSH requirements for project owners. OHCS should continue to explore ways to improve PuSH (including expanding the kinds of public subsidies subject to a Right of First Refusal) and better protect tenants. Some partners argued that dedicated tenant protection vouchers for residents of properties that are set to lose affordability restrictions would be more cost effective than acquiring properties.

Developing clear guidance around (and finding adequate resources for) multi-stage preservation efforts

Some preservation deals come in a tidy package including acquisition of the property and a well-planned set of major renovations that should keep the property in service for years to come. In other cases, acquisition is the beginning of a process that may include rehab years later, or OHCS may fund some urgent repairs on a property knowing that a more comprehensive rehab scope should be planned and submitted for funding later. In all these cases we need to be as transparent as we can about the department's ability to deliver on expectations that we can provide resources for anticipated needs that (for whatever reason) aren't yet timely.

Training and technical assistance for partners active in Preservation, and strengthening the field of Asset Management generally

Affordable housing as a sector is paying increasing attention to the important role of Asset Management in maintaining affordability and livability of housing portfolios over the long-term, but attracting, retaining and supporting Asset Managers continues to be a challenge for our partners.

for our partners. OHCS has multiple current programs specifically to help build capacity among our nonprofit affordable housing partners that could be helpful here. Training and information-sharing are likely to be ongoing areas that deserve attention as our partners experience staff turnover and bring on new Asset Managers. The Asset and Portfolio Management (APM) section of OHCS can also be an important resource and problem-solving thought partner for property owners.

Sustainability and “green building” standards in Preservation projects

There is likely no simple answer to the tradeoff between cost efficiency and sustainability and durability, but rather an ongoing process of balancing smart upfront investments that justify a higher initial cost in terms of energy savings, durability and benefit to tenants. OHCS should continue to work with partners to identify ways to promote sustainability in Preservation and leverage Preservation resources to increase energy efficiency and improve tenants’ quality of life.

Anticipating Preservation impacts of new and emerging programs

OHCS has been at the center of a flurry of new ideas and programs in housing and homelessness that potentially create future Preservation challenges, including Project Turnkey (conversion of motels to non-congregate shelters for people experiencing homelessness – while this Strategy doesn’t cover shelter, some of these properties will likely be converted to permanent housing at some point), and the fledgling ANOAH (Acquisition of Naturally Occurring Affordable Housing) pilot. Any investments that expand our partners’ long-term portfolios of affordable housing should be informed by and folded into future updates of this Framework.

Meeting the needs of rural and urban communities

As with all OHCS programs, it is important to understand the distinct challenges of smaller rural communities, and the issues and opportunities in cities and counties able to devote local resources to housing needs. There is no easy or simple formula for achieving a satisfactory balance between meeting urban and rural needs, but a continual process of building upon and learning from what has and has not worked well in tailoring available resources to match challenges in rural and in urban areas.



Pictured above: Woodspring Apartments in Tigard

Preservation Goals: 2023-2027

OHCS' success in Preservation is tied to the resources available to it and to its partners around the state. With that in mind, we propose the following high-level Goals for the next four years:

2023-2027 Goals	Notes
Refine and implement a risk assessment and prioritization approach to guide the next biennium's Preservation investments	<p>This risk assessment will be built into scoring of future funding offerings for Preservation, and will help external partners plan and prioritize their own requests to OHCS for support. We will also revisit criteria and threshold requirements to support the goals and intent of this Framework. That risk assessment is expected to be primarily focused on the impact to tenants in the event a project is not preserved.</p> <p>Develop clearer guidelines and standards for supporting acquisition of expiring properties that covers pricing/cost limits, ideal timing, and coordination around the PuSH program's Right of First Refusal, etc.</p>
Help improve the PuSH process and establish the Portfolio Stabilization Program (PSP) in coordination with OHCS' Asset and Portfolio Management staff	<p>Close collaboration with OHCS' APM staff is essential to delivering on the department's Preservation goals. Refining and strengthening the PuSH program, and assisting APM's work with owners of challenged assets through the new PSP are crucial parts of this Preservation strategy.</p>
<p>ERJ: Tenants Develop baseline demographic data on tenants in Preservation projects</p>	<p>OHCS will disaggregate data by race, ethnicity and other categories, and track the benefit over time of Preservation to BIPOC tenants and other vulnerable low income renters.</p>
<p>ERJ: Culturally-Specific Housing Providers Develop baseline data on participation of Culturally-Specific providers in Preservation offerings</p>	<p>OHCS will track the success rate of culturally-specific partners applying for competitive OHCS resources, how much Preservation resources are benefiting projects those partners own, etc. to identify barriers to accessing Preservation funds and measure success here.</p>



2023-2027 Goals

Notes

ERJ: MWESB

Develop baseline data and aspirational targets for participation of BIPOC-owned business partners in Preservation

OHCS has developed standards and criteria around MWESB targets and is beginning to implement more robust tracking around outcomes; Preservation work should follow suit and actively participate in improving our MWESB efforts.

Capacity Building, Training and Technical Assistance

Coordinate with internal and external partners to support partners' capacity and expertise around Preservation and Asset Management

OHCS should actively explore partnerships with others bringing resources and skills to deliver more training and technical assistance, and continue to stay in dialogue with partners about building long-term capacity and expertise in asset management.

OHCS should also engage partners around sustainable TA and support for MHP Co-ops.

Data and Transparency

Assist OHCS Research and Asset Management with completion and maintenance of the Preservation dashboard

Maintaining a complete and accurate public-facing summary of expiring properties will help partners identify Preservation opportunities, and anticipate waves of concurrent expirations we need to plan for.

Outreach and collaboration with the field
Continue to actively collaborate with internal and external partners to address barriers to success, emerging issues and opportunities and inform future updates of this Framework

As with all OHCS' work, success in Preservation relies on good information from our external partners, and on our ability to learn from critical feedback and improve processes and policies.

Process for updating this framework

Periodic updates to this Framework will ensure that OHCS incorporates new knowledge about emerging trends affecting Preservation and lessons from work in Oregon and nationally. Every four years, the Preservation Program Manager should update the Framework based on lessons learned, emerging trends, and feedback from internal and external partners. A revised draft Framework should be shared widely with partners (similar to the list of stakeholders described above in the development of the Framework) for comments and improvements before an updated version is finalized.

Future research topics

Preservation is a complex topic touching on many aspects of OHCS' work, and the following list of topics is a partial list of issues that deserve more thorough consideration. Working closely with our partners in the field, OHCS should aim to develop future goals/outcomes related to:

- Develop clearer guidance around expectations and/or requirements around sustainability, including exploring the potential usefulness of third-party standards like Enterprise's Green Communities
- Leveraging and aligning Weatherization funding and other resources that can be combined to promote Preservation goals
- Evaluate the status and outcomes of past preservation projects; are past recapitalization and rehab efforts having the positive results we expected? Are there lessons that should inform how we approach Preservation going forward?
- Outcomes for tenants: what data can we develop to show the impact of Preservation on tenants' housing stability and well-being in preserved properties? Can we develop any meaningful data on housing outcomes for tenants in properties we are not able to preserve?
- Actively engage in work to improve property management and asset management, particularly with a lens toward

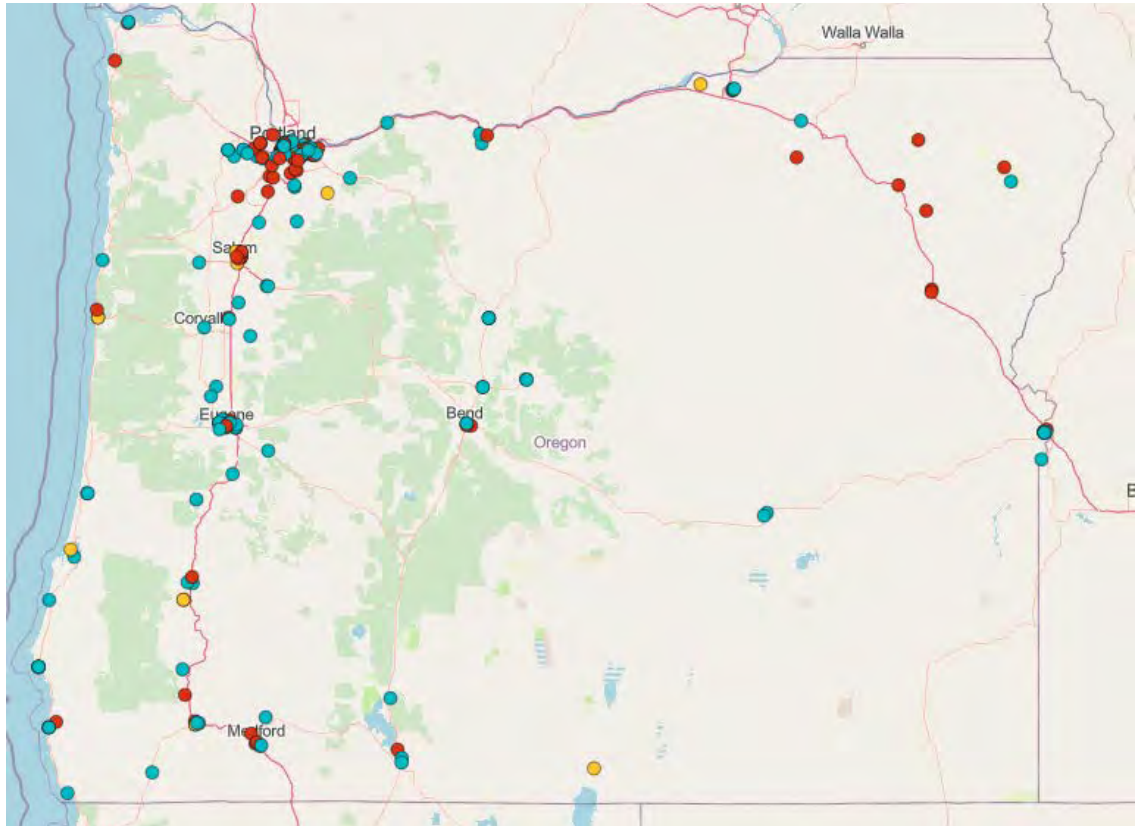
Preservation and other OHCS policies

Several OHCS policies, guidelines and protocols have close connections with Preservation. Updates to these should attend to implications for Preservation, just as revisions to the Preservation Framework should take into account relevant shifts in these policies:

- Oregon Statewide Housing Plan
- Qualified Allocation Plan
- Core Development Manual
- General Policy and Guidelines Manual
- MWESB Manual
- General Housing Account Program Manual
- Oregon Affordable Housing Tax Credit Manual

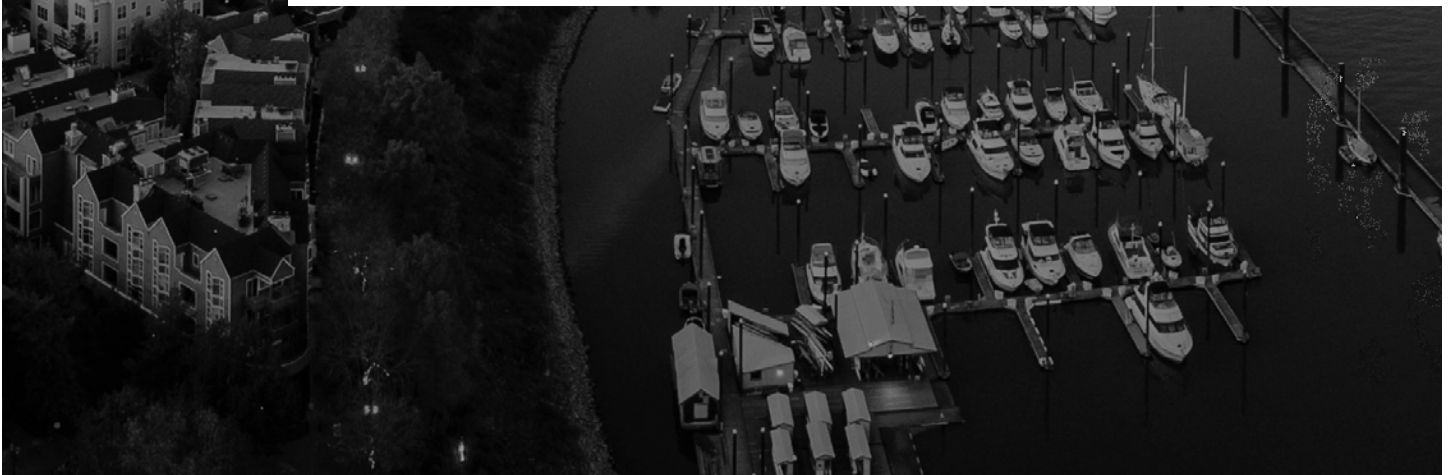
Map

Preservation needs within the next 10 years in Oregon



Restrictions:

- OHCS affordability restriction
- Expiring affordability and federal rent assistance
- Federal project based rent assistance



Resources and further background information on preservation

Center for Community Investment's Preserving Affordable Homes for Equitable, Health Communities: <https://centerforcommunityinvestment.org/sites/default/files/Preserving%20Affordable%20Homes.pdf>

Community Economic Development Assistance Corporation, "Chapter 40T at 10: Massachusetts' Housing Preservation Statute's Successful First Decade" (2020) <https://cedac.org/wp-content/uploads/2020/12/Chapter-40T-at-10.pdf>

Enterprise Community Partners, Preservation NEXT Toolkit: <https://preservation-next.enterprisecommunity.org/>

Enterprise Community Partners, Rural Preservation Academy: <https://www.enterprisecommunity.org/resources/rural-preservation-pacific-northwest-12051>

Fannie Mae, Duty to Serve Report (2022): <https://www.fanniemae.com/media/43411/display#page=29>

Freddie Mac, LIHTC at Risk (2022): <https://mf.freddiemac.com/research/duty-to-serve/lihtc-risk>

Harvard University's Joint Center for Housing Studies, To Preserve Affordable Housing in the United States: A Policy History (2016): https://www.jchs.harvard.edu/sites/default/files/media/imp/von_hoffman_to_preserve_affordable_housing_april16.pdf

Massachusetts Department of Housing and Community Development, Preservation Matrix (Section VII of its 2022-2023 Qualified Allocation Plan), <https://www.mass.gov/doc/2022-2023-qap/download>

National Housing Preservation Database: <https://preservationdatabase.org/>

National Housing Conference, "Affordable Rental Housing Preservation: Policies and Funding Strategies" (2017), <https://nhc.org/policy-guide/affordable-rental-housing-preservation-the-basics/affordable-rental-housing-preservation-policies-and-funding-strategies/>

National Housing Trust, "What is Preservation?": <https://www.nationalhousingtrust.org/what-preservation>

National Low Income Housing Coalition / The Public and Affordable Housing Research Corporation, "Balancing Priorities: Preservation and Neighborhood Opportunity in the Low-Income Housing Tax Credit Program Beyond Year 30" (2018): <https://preservationdatabase.org/wp-content/uploads/2018/10/Balancing-Priorities.pdf>

National Low Income Housing Coalition / The Public and Affordable Housing Research Corporation, "2021 Picture of Preservation" Report: <https://preservationdatabase.org/reports/picture-of-preservation/>

Network for Oregon Affordable Housing, The Oregon Housing Preservation Project: <https://noah-housing.org/programs/ohpp/>

Office of Comptroller of the Currency, Preserving Affordable Housing: Innovative Partnerships <https://www.occ.gov/publications-and-resources/publications/community-affairs/community-developments-investments/ca-cdi-newsletter-mar-2017.html>

Urban Institute, Envisioning a National Preservation Strategy: https://www.urban.org/sites/default/files/publication/102837/envisioning-a-national-preservation-strategy_0_1.pdf

U.S. Department of Housing and Urban Development, Project Based Section 8 Renewal guide: https://www.hud.gov/sites/documents/508FIN_CONSOL_GUIDE6_8_17.PDF



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