

Opportunity Lost:

OREGON'S HOUSING AFFORDABILITY CRISIS

NPF's innovative leadership and resources support the creation of affordable homes, healthy communities, and economic opportunities for low income Oregonians.



Oregon has reached a crisis point when it comes to affordable housing. Across the state, high unemployment, rising housing costs and low incomes have created dramatic and alarming housing needs that are growing each year. The lack of available housing Oregonians can afford is a statewide problem that is particularly severe in non-metropolitan parts of the state. Oregonians need the Legislature to declare that housing for all is a top priority by making a significant, ongoing investment of public dollars in affordable housing.

The picture is stark in communities across the state. A growing number of Oregonians simply cannot afford the housing they need. Working people, children, seniors and the disabled increasingly have to make decisions each month whether to pay for food or pay for rent. Parents have to watch their children's health and grades suffer as the result of frequent moves and substandard housing. Many hold two jobs and still cannot manage to make ends meet. At the extreme, the lack of affordable housing has led to a rise in homelessness. In the past year alone the number of homeless schoolchildren in Oregon increased by over 16 percent.¹

Many factors have come together to exacerbate the problem:

- demand for lower price units far outpaces the housing supply;
- new units developed tend toward the higher cost end of the spectrum;
- housing cost increases are rising faster than incomes as Oregon moves towards a service economy;
- affordable units are being lost due to use conversions and the closure of manufactured home parks; and
- in-migration from high cost states has inflated local markets beyond the means of local families.

Federal resources for housing shrink each year and the state has allocated few resources. Local governments are searching for solutions, but local resources for housing are scarce.

We know that locally-based strategies and infrastructure exist to address the housing needs of Oregon's hardworking families, our children and our elderly and disabled neighbors. A vital network of nonprofit housing developers and partners is doing great work with extremely limited resources. In 2005 alone over 3600 units of affordable housing were in the process of being built or acquired and preserved.

These local steps are not enough. There is far more work to be done before every Oregonian has a safe, decent place to call home. We need a commitment to act. First, we need our elected leaders to declare that no children should be homeless in Oregon and that our families and most vulnerable elderly and disabled neighbors should not have to make impossible choices each month, such as between paying rent and buying groceries. Then, we need the Legislature to make that vision a reality by investing in housing for all Oregonians.

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¹ Carter, Steven. "To more kids, homework doesn't include a home." *The Oregonian* 16 November 2006.

Housing gives people an opportunity to build better lives. To succeed, everyone needs a place to call home.

Safe, decent affordable housing fosters self-sufficiency and brings stability to households and new vitality to distressed communities. Providing a wide range of affordable housing options reduces a host of costly social and economic problems that strain our social fabric: our educational system, social service providers, law enforcement, criminal justice, and welfare systems. A full range of housing creates opportunities for people to hold steady jobs, pursue education, weather difficult times and contribute to their community.

“Thousands of children and youth attending Oregon schools lack safe and stable housing.... The increase in homeless students this (past) year alone would fill 60 school buses.”

Susan Castillo, Superintendent of Public Instruction in The Oregonian – November 16, 2006

Throughout Oregon, however, hardworking families, seniors and people with disabilities struggle to pay their housing costs. From Baker County to Tillamook County, housing prices are simply out of reach of ordinary Oregonians. In 2005, Oregon was the **fourth least affordable** state for renters in the country, trailing only California, Florida and New York. Almost half of renters in Oregon are spending more than 30% of their income on rent.³ Among Oregonians who own their homes, one in three (36%) are paying more than they can afford.⁴

The problem is even more severe in the state's rural areas. Oregon's rural counties continue to experience higher rates of poverty than the metropolitan areas (14.1% versus 11% in 2003). In the 1990s the percentage of renters paying more than 30% of their income for rent increased most dramatically in rural counties, with a 44% increase in Harney County and a 49% increase in Wallowa County. Today, service workers make up the largest share of the workforce in the Northeastern counties of Baker, Union and Wallowa, yet in none of those counties can a retail sales clerk or a child care provider afford the fair market rent for a two-bedroom apartment for their families.⁵

Nowhere to Go: The Increasing Demand for Affordable Housing

The bottom line is that too many Oregonians have nowhere affordable to go. There are simply not enough affordable housing units in the state for those who need them. Demand for affordable housing is increasing each year. In 2005 over 7,000 new households were added to the ranks of those paying more than they can afford for housing.⁶ The three counties of Central Oregon (Crook, Jefferson and Deschutes) alone need almost 3,500 additional units to house workers earning below 80% MFI (\$35,550, \$34,800, and \$42,350, respectively).⁷ Moreover, we are at risk of losing the affordable housing we currently have. Rental housing built in Oregon's communities 30 to 40 years ago is also coming to the end of its use restrictions and sometimes its useful life. Oregon has already lost over 1000 affordable, subsidized units and is facing the loss of thousands of HUD and Rural Development assisted units in coming years.⁸

Manufactured home parks, a major form of affordable housing in the state's rural areas, are closing at an alarming rate. There are currently over 68,000 households living in manufactured homes registered with Oregon Housing and Community Services (OHCS), the state housing finance agency. These parks house some of Oregon's most vulnerable people: 66% earn less than \$30,000 per year and over half are 55 years or older.⁹ OHCS only recently began tracking park closures and its records are admittedly incomplete, yet recent documentation from OHCS shows over 21 parks closing in a recent 18-month period. In Washington County alone, these closures have displaced over 1,000 families since the beginning of 2005.¹⁰



2 2005 American Community Survey. U.S. Census Bureau. Available online: http://factfinder.census.gov/servlet/DatasetMainPageServlet?_program=ACS&_submenuld=&_lang=en&_ts=

3 Ibid

4 Ibid

5 Bjelland, Richard. "Analysis of Affordable Housing Needs for Oregon's Population Growth." Oregon Housing and Community Services" 2005. Also, Yohannan, Jason. "Eastern Oregon: Service Workers Dominate Occupational Landscape" 2006, Oregon Labor Market Information System.

6 Bjelland, Richard. "Estimated Oregon Unmet Housing Needs – 2004." Presented at Joint Meeting of the Interim House and Senate Revenue Committees, June 1, 2006.

7 Rees Consulting, Inc. and RRC Associates, Inc. "Central Oregon Workforce Housing Needs Assessment," Central Oregon Regional Housing Authority. July 2006: p. 7, 8.

8 Bodaken, Michael. Lecture. "Safeguarding Oregon's Affordable Homes." The National Housing Trust. The YWCA of Portland. Portland, OR. 11 September 2006.

9 Anderson, David. "Endangered species – Fewer places to park your home." The Oregonian 17 August 2006.

10 Ibid

Hardworking Oregonians should not have to choose between paying the rent and paying for groceries.

The housing crisis persists for low-income Oregonians despite signs that the state's economy is beginning to recover from the 2001 recession. While the wealthiest of Oregonians are benefiting from the recovery, working poor families are struggling with hunger, poverty and debt. Recent Census figures show that while wages for those at the high end of the earnings ladder increased significantly, lower and middle wage workers earnings have declined each year for the past five years.¹¹

The new jobs that are created are increasingly part-time without health benefits,¹² temporary, or service sector jobs paying less than \$30,000 each year.¹³ Workers who want more hours often cannot get them. This reflects a shift in Oregon's economic base from higher paying natural resources and manufacturing sectors to low wage service related industries. Since November 2000, 21 percent of all job growth has been in restaurant jobs – which pay an average \$14,230 each year.¹⁴

The changing nature of Oregon's job market has had real consequences for working families. Between 1999 and 2004, the typical Oregon household lost \$4,365 in real terms. Oregon was one of only eight states that saw declines in median income.¹⁵ In addition, Oregon's unemployment rate continues to exceed the national rate, much as it has for all but five of the past 33 years.¹⁶

Wages simply are not keeping pace with rising housing costs, even for middle-income workers. At the 2006 minimum wage a single mother would have to work 72 hours each week - almost two full-time jobs - to afford a 2-bedroom apartment in Oregon.¹⁷ For each Oregon job that pays a family living wage (enough to meet basic needs for a single parent with two children and maintain some ability to deal with emergencies) there are 26 job seekers on average.¹⁸

High housing costs + low incomes = homelessness

The picture is bleak for workers, but those who cannot work live on even less. Oregon's veterans receive an average pension of \$9,720 per year. The average Social Security payment for retired workers is \$10,572. Disabled individuals on Social Security receive \$7,236 per year in benefits. An "affordable" rent for

these households, using the federal government's guideline of 30 percent of income towards housing, ranges from \$181 to \$264 per month. There is no county in the state where veterans, people with disabilities or the elderly living on these benefits can afford a one-bedroom apartment at the fair market rent.

Poverty, high housing costs and homelessness go hand in hand. Many people are homeless due to mental illness, domestic violence, and addiction. Many more are homeless or at risk of homelessness simply because they are poor and cannot pay the rent.

High housing costs have led to an increase in family hunger and homelessness. According to the US Census nearly one in four of Oregon's children five years or younger are living in poverty¹⁹ and one in five children live in a food insecure home.²⁰ On any given

On any given night more than 8,000 Oregonians are homeless and seeking shelter – almost half are children.

night more than eight thousand Oregonians are homeless and seeking shelter - almost half are children.²¹ In Clackamas County, the majority of the homeless – 78 percent – are families with children; children represent 40 percent of all homeless individuals.²²

"To more kids, homework doesn't include a home"²³

Over 13,000 school children were homeless in Oregon during the 2005-2006 year.²⁴ Children in families that are forced to move frequently because their parents cannot afford the rent fall behind in school and consistently have lower scores on achievement tests. They perform below grade level in reading, spelling, and math.²⁵ Food deficient children manifest significantly higher levels of aggression and destructive behavior and are much more likely to require special education services.²⁶ The lack of housing for families increases the demands on our already overburdened schools as they struggle to teach children that now require more resources to learn.

11 Leachman, Michael. "Losing Ground: Workers slipping back as the economy expands." Oregon Center for Public Policy. 5 September 2005: p. 6-7.

12 Leachman, Michael. p. 5.

13 Leachman, Michael, Janet Bauer and Joy Margheim. "Who's Getting Ahead? Opportunity in a growing economy. The State of Working Oregon 2006." Oregon Center for Public Policy. 2 September 2006: p. 14 and 20.

14 Ibid p. 15

15 Leachman, Michael. p. 7.

16 Leachman, Michael, et al. p. 14.

17 National Low Income Housing Coalition. "Out of Reach 2006." Available online: <http://www.nlihc.org/oor/oor2006/data.cfm?getstate=on&state=OR>.

18 Osorio, D., W. Pitz, and P. Sommers. "Searching for Work that Pays: 2005 NW Job Gap Study." P. 16.

19 Oregon Housing and Community Services. "Report on Poverty 2004." Salem, Oregon. p.7.

20 Leachman, Michael, et al. p. 54.

21 Oregon Housing and Community Services. p.81.

22 Clackamas County Social Services Division. "Clackamas County Ten-Year Plan & Policy to Address Homelessness." November 2006. p. 1.

23 Carter, Steven.

24 Ibid.

25 Ibid.

26 Oregon Housing and Community Services. p. 81.

Middle Income Professionals Feel the Squeeze Too

New trends in Oregon's housing market are creating new challenges. Housing booms such as those occurring in Medford and Redmond mean that many middle income professionals struggle to find desirable and affordable homes near their workplaces. Along the coast and in central and southern Oregon working families compete with more affluent newcomers for limited affordable housing and often commute long distances to find it.

In-migration is fueling growth in Central Oregon, Southern Oregon, and along the coast. Between 2000 and 2004, Deschutes County experienced a 17% increase in population, with 85% of this increase attributed to net migration into the area.²⁷ These new Oregonians are largely older retirees, many bringing significant equity from the sale of their homes elsewhere. The jobs supported by these new Oregonians are largely service jobs in retail, health care, restaurants, rather than higher paying industrial or manufacturing jobs.

Newcomers and out-of-state investors have fueled a speculative market that threatens the ability of long-time residents to stay in their homes and live near their jobs. At popular vacation destinations across the state there is a boom in construction of second homes that are unaffordable to local residents.²⁸ For example, in 2005 Curry County had a median home price of \$287,900 and an average private-sector wage of \$24,900.²⁹

Oregon now ranks in the top ten in the nation for rates of housing appreciation, after our western neighbors including Arizona, Nevada and California.³⁰ Benton, Jackson and Columbia are among the counties where the median home sales prices are out of reach for police officers, nurses and teachers. For a person working as a sales clerk or home

health aide buying a home is out of the question and even renting a two bedroom apartment is barely affordable.

As a result, Oregon has fallen behind with homeownership rates lower than the national average.³¹ This is especially true for Oregon's minority homeownership rates with African-Americans and Hispanics trailing the national average by 10 percentage points (37 percent to 47 percent).³²

Affordable Housing is Economic Development

Affordable housing development not only helps families build better lives, it pays large dividends to the state's economy. For local businesses to thrive, they need to be able to attract a healthy, skilled workforce. The National Association of

The problem of affordable housing hurts not only families but businesses that aren't able to attract employees.

Medford Mail Tribune - February 20, 2006

Home Builders has found that each multifamily housing unit developed generates \$70,000 in local income, \$7,100 in taxes and other revenue for local governments, and 1.33 local jobs.³³

Conversely, when local housing prices are out of synch with local salaries, communities suffer. Increased traffic congestion, longer response time to emergencies, lower school enrollment that leads to school closures and decreased civic and community engagement all result when communities do not provide housing affordable to their workforce.

We know what to do!

Ultimately few things contribute so directly to the health, stability, and well being of any community as the availability of safe, decent and affordable homes.

Building affordable housing is a complex endeavor, but a robust network of nonprofit housing developers ready to tackle the challenge is already hard at work in communities across the state. These developers leverage scarce resources

to build housing that the private market cannot, but the current level of public investment is woefully insufficient. To make a dent in the problem, the Legislature must act now. Oregon needs to make a major investment of public funds and craft policies at the state level to preserve the existing stock of affordable housing and ensure that local communities can grow in a way that benefits all Oregonians.

²⁸ Oregon Housing and Community Services. Clearinghouse Spring 2006. p. 3.

²⁹ Wilson, Michael K., "Housing Costs Rise as Wages Stagnant." Oregon Labor Market Information System: Oregon Employment Department. 22 June 2006.

³⁰ Oregon Housing and Community Services. Clearinghouse Spring 2006. p. 1.

³¹ Leachman, Michael, et al. p. 75.

³² U.S. Department of HUD, Oregon State Office. "Oregon Homeownership – National Rank and Rates 1970-2003." 2005. Available online: <http://www.hud.gov/local/or/library/archives/2002-06-26a.cfm>

³³ National Association of Home Builders. "The Local Impact of Home Building in a Typical Metropolitan Area: Income, Jobs and Taxes Generated." Washington DC: October 2005.