



# Oregon

Tina Kotek, Governor

## HPAC Finance Work Group Recommendation Middle-Income Housing

### Recommendation:

Create a \$300 million fund to provide gap financing for approximately 10,000 units of middle-income or workforce housing, serving renter and owner households between 60% and 120% of AMI. Estimated per-unit subsidy to range from \$25,000 - \$40,000.

The State of Oregon has not previously provided direct capital subsidies for housing for this segment of the population. As discussed in this recommendation, the economics of housing development have changed in the past decade such that the private market is unable to feasibly produce middle-income housing.

A similar recommendation was contained in the [Oregon Housing Needs Analysis Recommendations Report](#), and was the subject of HB 2980 (2023).

### Related Work Plan Topics

Governance and Administrative Structure Changes  
Housing Finance Agency Creation

### Adoption Date:

October 4, 2023

### Method of Adoption:

Consensus at meeting

### Co-chairs Guidance: Standards for Analysis

#### 1. Clearly describe the housing production issue that the recommended action(s) will address.

Oregon's dramatic housing shortage is a threat to our residents, communities, and economy. The Oregon Housing Needs Analysis (OHNA) technical report indicates that

Oregon has a deficit of 140,000 homes statewide. Current housing production is not keeping up with demand, much less making progress on the deficit.

**Figure 5. Total Housing Need Allocated to Revised Methodology Income Bins**

Income Level	20-year Projected Need	Units lost to 2nd and vacation homes	Under-production	Units to Address Homelessness	Total Units	% Of Total Units
0-30%	42,948	-	16,660	25,965	85,572	15%
30-60%	65,632	-	22,775	2,334	90,742	16%
60-80%	44,292	-	10,719	875	55,885	10%
80-120%	79,547	21,287	11,052	-	111,887	20%
120%+	193,744	12,248	4,613	-	210,606	38%
<b>TOTAL</b>	<b>426,163</b>	<b>33,535</b>	<b>65,819</b>	<b>29,174</b>	<b>554,691</b>	<b>-</b>
% Of Total	77%	6%	12%	5%	-	-

Fully thirty percent (30%) of the current shortfall is for housing serving households earning 60-120% AMI. This is housing for teachers, nurses, hospitality workers, mill workers – folks that are part of the fabric of every vibrant community. Employers have difficulty filling jobs because employees cannot find housing they can afford. Community leaders are clear that their local economies are struggling because of the shortage of housing for this segment.

Under current market conditions, it is not financially feasible for developers to build workforce housing, and there are no public resources available to support housing serving this segment of the market. Regulatory relief alone will not be sufficient.

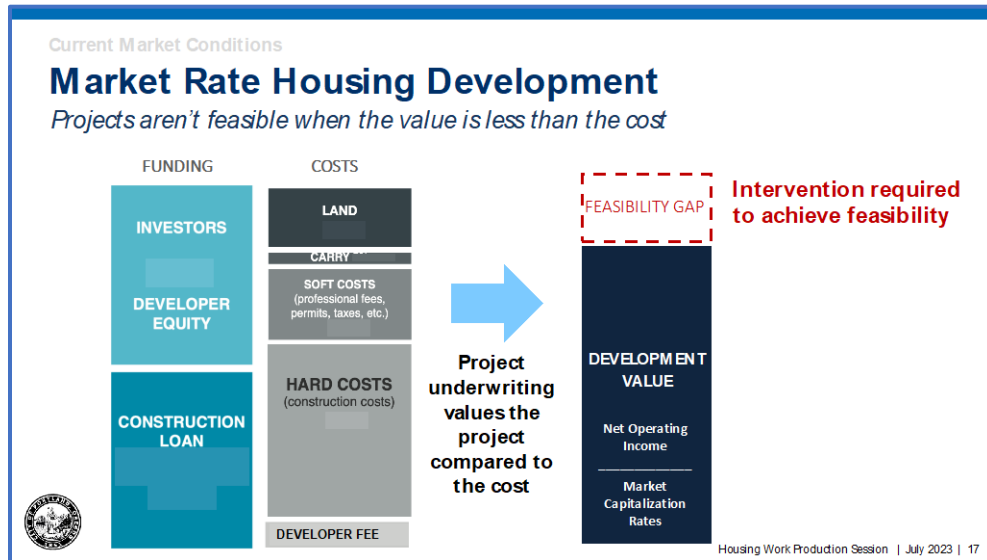
**2. Provide a quantitative, if possible, and qualitative overview of the housing production issue.**

Per the Oregon Housing Needs Analysis:

“Chronic underproduction has made it much harder for more people to afford the cost of housing. This now extends well beyond the traditional categories of publicly supported housing and affects higher income households as well. We need to pursue innovative tools that more effectively work with the market to support development types that might not be feasible. This can be especially true in smaller cities and more rural markets where infrastructure and land readiness costs are prohibitive for local budgets.”

The financing gap for projects targeting this segment of the market is substantially less than what’s required for projects serving households at or below 60% AMI, which can amount to, depending on location, construction type, density, and other factors, anywhere between \$125,000 to \$250,000 per unit, inclusive of the value of tax credits

and all other non-market funds. The range of capital gap for middle income properties depends on numerous factors, as well. The Housing Innovation Partnership estimated that the gaps would range from \$25,000 - \$40,000 per unit, which, combined with OHNA projected need, is the figure used to support HB 2980 (2023). The City of Portland has also conducted some analysis of the “feasibility gap” with regard to market rate housing, recently presenting the following to its City Council.



Market rate developers from across the state have echoed this economic feasibility challenge which has grown in recent years as land, construction, and financing costs have risen much faster than rents and sales prices.

*“Unfortunately, it is very difficult to make middle income housing pencil out for builders. As a result, it is vastly underproduced, creating strain on the continuum of housing needed in Oregon and limiting economic opportunity in many Oregon communities.*

*That shortage is apparent to Oregon employers. In a statewide employer survey conducted last March, 76% of respondents identified limited housing supply as a high or moderate barrier to hiring.”*

*Representative Pam Marsh and Senator Dick Anderson,  
 Oregon Capitol Insider, May 1, 2023*

**3. To assess the issue and potential action(s), include subject matter experts representing all sides of the issue in work group meetings, including major government, industry, and stakeholder associations.**

Lorelei Juntunen, President and CEO of ECONorthwest and Bill Van Vliet, Executive Director of Network for Oregon Affordable Housing, both participated in the 9/20/23 meeting of the Finance Workgroup, affirming the assumptions, rationale, and need for middle-income finance solutions at the state level. Jill Chen with the City of Portland also spoke with the workgroup and shared preliminary findings and ongoing research and analysis approaches that jurisdiction is taking on for middle-income housing.

The OHNA – which put forward the recommendation – had significant subject matter expertise involvement.

The Housing Innovation Partnership, co-chaired by Representative Pam Marsh and Oregon Community Foundation senior leader Megan Loeb, also studied the middle housing problem over the last 18 months.



**4. Provide an overview of the expected outcome of the recommended action(s), including quantitative/qualitative context if available.**

Increased production of housing for Oregon households earning up to 120% of AMI, as well as economic growth.

Per the OHNA Report,

“Few policy imperatives are more important to Oregon’s future than increasing the pace of building new homes. Housing production is on the critical path to building Oregon’s economic competitiveness, helping families prosper, and improving community resilience. Simply producing the units needed to meet current demand could generate up to \$40 billion in additional economic growth, a boost that would benefit us all. [This estimate is based on Oregon’s share of the national economic benefits that come from producing 3.8 million housing units across the country over a 20-year time period (as described in [Up for Growth’s Housing Underproduction in the U.S. 2022 Report](#)), scaled to match the OHNA estimates of current underproduction and units needed for people experiencing homelessness. Economic growth is measured as increase in gross domestic product.]”

**5. Estimate of the time frame (*immediate, short, medium, long-term*), feasibility (*low, medium, high*), and cost (*low, medium, high*) for implementation of the recommended action(s).**

**Timeframe:** Immediate or medium term, depending on identifying a source of capital for the fund.

**Feasibility:** High

**Cost:** Medium

**6. Provide a general overview of implementation, the who and how for the recommended action(s).**

*Per the OHNA Report:*

**“Commit Sustained, Coordinated Investment.** Commit resources for housing production, affordable housing production, and development readiness, including infrastructure funding. This is not a one-time, small-scale investment. The state must sustain this effort over time and focus investments in the construction of housing that the market is least likely to produce without aid: housing for low- and middle-income households and housing in rural and coastal markets. Creative financing and funding sources that leverage private investment should be considered. Additionally, the state has the opportunity to better coordinate existing resources and focus funding toward the goal of housing production.”

**7. Outline the data and information needed for reporting to track the impact and implementation of the recommended action(s).**

Trends in housing start and permits.

**8. Identify any major externalities, unknowns, tradeoffs, or potential unintended consequences.**

Affordable housing advocates and interests are concerned about the notion that the public sector would begin to subsidize housing for people outside the traditional low-income constituencies that are most at risk for bad outcomes without adequate housing. This recommendation does not dilute any of the federal or state programs already in place. Rather, it's an evolution of the way the state understands its role in promoting the production of housing writ large.

**Please include any relevant reports, data analyses, presentations, or other documents that would be informative and useful for the full HPAC as the recommendation is discussed and considered.**

[https://www.oregon.gov/lcd/UP/Documents/20221231\\_OHNA\\_Legislative\\_Recommendations\\_Report.pdf](https://www.oregon.gov/lcd/UP/Documents/20221231_OHNA_Legislative_Recommendations_Report.pdf)

[Sightline Institute](#)

[Oregon Capitol Chronicle](#)

[Portland Business Journal](#)

[Housing Innovation Partnership](#)