RAISE THE ROOF

Empowering Oregon Communities For Affordable Housing

By Carson Strege-Flora

Oregon Action • Northwest Federation of Community Organizations

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Overview

Over the past ten years, Oregon's economy has exploded with the creation of new jobs and massive migration from California and other states. This economic boom has dramatically increased housing costs around the state at the same time that the federal commitment to funding affordable housing development has significantly declined. New census figures, along with state or community specific anecdotal studies, indicate that the increase in housing costs is taking a toll on Oregon families and Oregon's economic future.

- **Homeowners:** Oregon's homeownership rate lags behind the national average. Between 1950 and 2000, Oregon was dead last in homeownership growth. For most families, their home is their single greatest source of wealth. Without the opportunity to purchase a home, Oregon's families will never build the equity that can be used to finance a business, send a child to college, or comfortably retire.

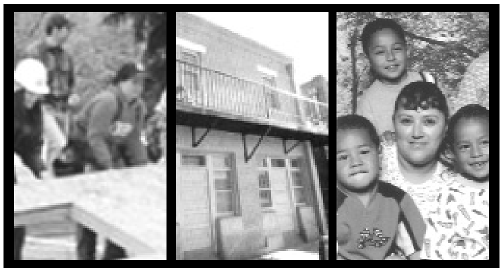
- **Renters:** The 2000 Census finds that 40 percent of Oregon renters are paying more than 30 percent of their income on rent, a level that is considered unaffordable by The U.S. Department of Housing and Urban Development (HUD) and the housing development community. The problem isn't confined to the metro areas of the state. A Corvallis area chamber of commerce discussed the impact of high housing costs on business and noted that "many of the people who work here cannot afford to live here. Some of those numbers go as high as 40 percent."[1]

Some communities around Oregon have begun a good faith effort to address their affordable housing problems. Fortunately, communities with a desire to alleviate their affordable housing problem can look to numerous proven strategies for help. Housing trust funds have been successful in hundreds of communities across the county in financing thousands of new affordable housing units. These housing trust funds rely on dedicated sources of revenue to grant to affordable housing developers. The developers use the housing trust funds dollars to leverage more funds from other private and public sources. The housing trust funds generate new jobs and income when they build more affordable housing, contributing to the larger economy.

Community land trusts are another proven tactic that can help reduce the cost of housing. Land trusts develop housing on community land, taking the price of land out of housing construction. In many parts of Oregon, the price of land is a large percentage of the total cost of the home. This strategy can enable developers to create affordable housing even in the most expensive parts of Oregon.

Inclusionary zoning is another strategy that local communities would have at their disposal if the state legislature repealed the ban. The proven effectiveness of these zoning ordinances and the extreme need for more affordable housing should compel the legislature to stand up to developer interests on behalf of families in need.

The affordable housing problem in Oregon is severe. But there are many proven strategies available that can be used to alleviate the problem. A political will to find the necessary funds and make any needed changes in the law is all that is necessary.



Introduction

Affordable housing is integral to the infrastructure of a healthy community. Without adequate affordable housing, young families cannot purchase homes and take root in the community. Renters must pay an excessive amount on rent, forgoing other life necessities. Lack of affordable housing impacts businesses too: a community without affordable housing has difficulty attracting new residents and workers. And the community risks becoming a monoculture, where only those who can afford the high mortgages or rents can afford to live there.

Homes are affordable when they cost a family no more than 30 percent of its gross income. This is the standard that HUD uses and has long been the accepted measure of affordable housing. The 30 percent must include utilities as well as rent or mortgage costs. When a family spends more than 30 percent of its income on housing, it is forced to sacrifice purchasing food, clothing and health care or other necessities in order to pay for a place to live.

There are other consequences of unaffordable housing as well. Unable to afford rent, families move more frequently in search of affordable housing. Children must change schools and adjust to new neighborhoods. Parents may need to change jobs, making it difficult to acquire the benefits that seniority brings. With a transitional population, neighborhoods suffer, never developing the connections and support systems that more stable neighborhoods take for granted.

In 1998, Governor John Kitzhaber acknowledged Oregon's housing problems when addressing a housing and human investment conference. He told the attendees:

> "We know that insufficient housing has been linked with public health risks, substance abuse, and crimes against people and property. None of these is good for our communities. Yet today, far too many of our vulnerable low-income citizens are living in unsafe housing, sharing housing with other families, making frequent moves, and even becoming homeless."[2]

Governor Kitzhaber went on to say that 45 percent of low-income homeowners and 60 percent of low-income renters did not have affordable housing in Oregon. He also noted that annual shelter counts indicated that between 7,000 and 10,000 households were homeless in Oregon.

Governor Kitzhaber made these comments in 1998 and not much has changed in 2002. The Oregon Progress Board gave Oregon a "D" for affordable housing in its most recent benchmark report, finding that the affordable housing problem has grown worse in Oregon over the past ten years.[3] New census data and local community reports show that renters continue to be cost-burdened and the problem has gotten worse in some of the faster growing, popular areas of the state. A recent report by Children First for Oregon found that more than a quarter (28 percent) of Oregon households lived in unaffordable housing.[4] Rural renters are not escaping the affordable housing gap. Home purchase prices are still high. For many low-and-moderate income families purchasing a home is out of the question. The problems Governor Kitzhaber found in 1998 continue to exist today.

Along with examining the housing problem that Oregon faces, this report also explores possible solutions to the problem. It does not promise a quick fix, but describes approaches that local communities around Oregon and elsewhere have taken to address their affordable housing problem.

Oregon's housing challenges

Homeownership: a luxury in Oregon

Owning a home remains the quintessential American dream and for good reason. Home equity is the largest single source of household wealth for most Americans. Median net wealth for homeowners exceeds $78,400, while renters accumulate less than $2,300, or 3 percent of this amount. For homeowners, almost 60 percent of their wealth is in the form of home equity. For minority homeowners, home equity is an even more important component of wealth, representing more than three-fourths of their median net wealth of approximately $48,300, almost 100 times the median wealth of the average black renter (barely $500).[5]

Homeownership offers intangible benefits as well. For many, it is a symbol of success and autonomy. It represents freedom from landlords and the ability to create a living space that reflects one's own tastes. Homeownership also requires responsibility and can instill a sense of pride of ownership, and even community, in its owners. Homeowners are more likely to participate in volunteer or political activities, and stay longer in their communities.[6] Where homeownership flourishes, neighborhoods are more stable, residents are more civic-minded, schools are better, and crime rates decline. Homeowners are more likely to maintain and improve their property, thereby improving the neighborhood as a whole.

It should therefore concern us that the lack of affordable housing opportunities is making it difficult for many families to afford to buy a home. Between 1950 and 2000, Oregon was dead last in homeownership growth.[7] In the economic boom decade of the 1990s, Oregon lagged 39 percent behind the national increase in the homeownership rate.[8] Oregon's homeownership rate is 2 percent less than the national average[9] and its rate (68 percent) has stagnated since 1990 due to the rising cost of homeownership.[10] Considering that the median price of a home has dramatically increased — more than doubling between 1990 and 2000[11] — and wages have not kept pace, it is not surprising that Oregon families are facing difficulty with purchasing homes.

The dramatic economic growth in Oregon over the past ten years brought new opportunities, but also led to higher housing costs across the state. Housing prices were essentially stagnant in Oregon during the early and mid-1980s, but that began to change in the late 1980s and early 1990s. Oregon faced massive in-migration during the early 1990s when California was suffering a deeper recession than Oregon and affluent job seekers moved to the state in search of work.[12]

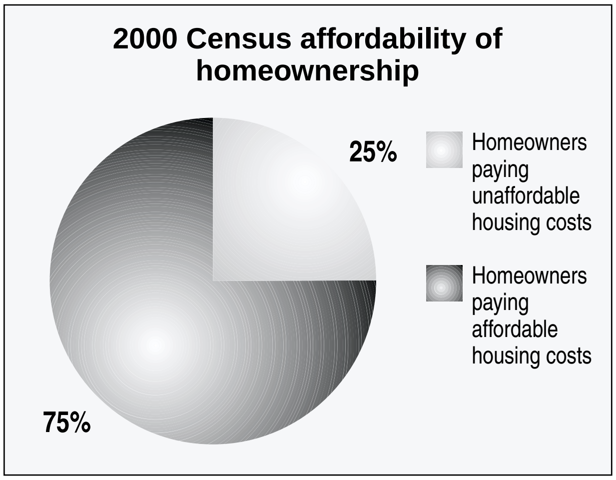
This in-migration of affluent home buyers drove up the price of Oregon homes as high as 15 percent and homes continued to appreciate at a rate of about 10 percent during the early 1990s. Homes continued to appreciate in the later 1990s as well. These prices were in sharp contrast to the 1980s and also in contrast to the wages of Oregonians which were not increasing at rate of 10 percent per year. According to calculations by the Oregon Center for Public Policy, between 1984-85 and 1997-98, single-family home prices in Oregon increased 146 percent. Over this same period, median household income rose only 76 percent (not adjusted for inflation), roughly half as much as home prices.[13]

Hispanic and African-American families are being hit hardest by the lack of affordable home buying opportunities. Between 1990 and 2000, the homeownership rate of Hispanics in Oregon actually decreased by 1.4 percent, while the white rate increased by 2.1 percent.[14] During this same period, the African-American homeownership rate remained the same, but the gap between African-American homeowners and white homeowners continued to grow because of the increase in the white homeownership rate.

The Portland metropolitan area's challenges with skyrocketing housing costs are well documented. A recent edition of the National Association of Home Builders "Housing Opportunity Index," which compares median household incomes with median home prices, ranked Portland near the bottom of its list of 191 cities in terms of housing affordability. The builders estimate that only 47 percent of the homes sold in the Portland metro region are affordable to a median income household.[15]

This ranking is significantly better for Portland than in years past when 40 percent or less of the homes were deemed affordable. But two other communities in Oregon — Eugene-Springfield and Medford-Ashland — have shot past Portland for the dubious honor of being less affordable. The Builders Association estimate that only 39 percent of the homes in Eugene-Springfield are affordable for median-income families. Families in the Medford-Ashland area fare even worse: only 29 percent of their homes are affordable for a median income family. A study that compared income to housing costs in Washington County found a similar pattern. This study found that the median housing price increased by 100 percent since 1990, while the median income increased by only 28 percent.[16]

The Oregon Housing Cost Study, released December 1998, attempts to trace the reasons for the declining affordability of single family homes in the urban areas of the state. Among several findings, the report notes that Oregon is producing proportionately fewer single-family homes than the U.S. average. From 1980 through 1985, 69 percent of the housing units produced in Oregon were single family homes, compared to 57 percent of the units produced in the U.S. This relationship has shifted in the past decade. Between 1992 and 1997, the proportion of single family units to total units produced in Oregon declined to 65 percent, while in the U.S., the proportion increased to almost 78 percent of total units.



A quarter of Oregon homeowners (24.8 percent) are paying unaffordable amounts on their mortgages.[17]

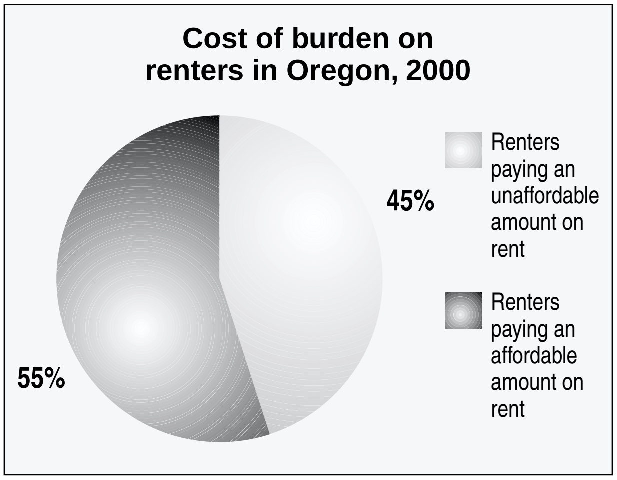
Clearly, homeownership is becoming increasingly difficult for many families as skyrocketing housing costs outstrip wage income. Oregon has begun to lag behind the U.S. in homeownership. Without affordable home buying opportunities, Oregon families will miss out on one of the most important ways to build wealth in the U.S. In addition, communities will miss out on the unique benefits that homeownership brings.

Renters continue to face a cost-burden, particularly low-income renters

It is not just potential home buyers who have been hit hard by the rising cost of housing; renters too are facing a burden. The 2000 Census finds that 40 percent of Oregon renters are paying more than 30 percent of their income on rent. The Oregon office of the U.S. Housing and Urban Development (HUD) agency found a substantial growth in "unmet housing needs" during the 1990s in Oregon. The number of households paying more than 50 percent of their income on rent — HUD refers to these households as having "extreme housing needs" — increased by 23 percent between 1990 and 1999. By 1999, 78,207 households were considered to have extreme housing needs.[18]

A recent study by the National Low Income Housing Coalition found that an extremely low income Oregon household (earning $14,910, 30 percent of the area median income of $49,700) can afford monthly rent of no more than $373.[19] Compared with the state's $664 fair market rent for a two bedroom apartment, it is difficult to imagine how a poor family can find affordable housing.

Those working at minimum wage are no better off. According to the same report, a minimum wage earner can afford rent of only $338. To pay the state's fair market rent, this earner would need to work 790 hours per week. Those with a disability and receiving SSI benefits face a near impossible situation, since their income allows them to afford rent of only $154 a month.[20]



The study found that the "housing wage" for Oregon is $12.78. This is the amount a worker would have to earn per hour in order to be able to work 40 hours per week and afford a two-bedroom unit at the area's fair-market rent. The study points out that this is 197 percent of Oregon's present minimum wage ($6.50 per hour). Overall, the study found that in Oregon, 45 percent of renter households pay more than 30 percent of their income for rent.[21]

The lack of affordable rental housing is felt across Oregon. At an affordable housing community meeting last year in Corvallis, attendees discussed findings from a new study by the Corvallis Housing and Community Development Commission. The study found that most local apartments were affordable only for upper income levels.[22] A representative of the Corvallis Area Chamber of Commerce discussed the impact of high housing costs on business and noted that "many of the people who work here cannot afford to live here. Some of those numbers go as high as 40 percent."[23]

Subsidized housing: need outstrips supply

When affordable homes and apartments are in short supply, subsidized housing programs take on a new importance. One of the largest and most important housing assistance programs is the Section 8 rental assistance program. Established in 1974, Section 8 helps participants afford rental housing by subsidizing the rents of apartments they locate in the private market or by providing an affordable home in a public housing development. However, need is outpacing demand for these programs in most parts of the state.

The Housing and Community Services Agency of Lane County estimates that it will take from 24 to 36 months for a family to receive Section 8 rental assistance. The wait for public housing in Eugene or Springfield is less, but still takes about a year.[24] The housing authority in Lincoln County estimates the wait at six months for Section 8 housing assistance.[25] The Housing Authority of Yamhill County estimates the wait to be between nine and 12 months.[26] People seeking help with housing in Portland will need to be in line behind the 4,200 people waiting for public housing, or the "under 600" waiting for Section 8 housing.[27]

Once a family receives a Section 8 voucher, there is no guarantee that they will find an affordable home. The family must first find a home that meets minimum standards of health and safety. Then, the housing authority pays the landlord with the housing subsidy. The family pays the difference between the actual rent charged by the landlord and the amount subsidized by the program. There is no guarantee that an affordable home will be available when a family receives a voucher.

Public housing is another option for low-income families in need of affordable housing. Unlike Section 8 vouchers, which families can use at any housing unit on the market that meets HUD's safety standards, families who receive public housing assistance live in the housing project. Each family's rent is different and it is set at 30 percent of the family's monthly income. In Oregon, 13,000 subsidized housing units are at risk of converting to market rate. And, as more contracts expire, more subsidized units will be at risk of being lost forever.[28]

The lack of affordable housing can have a lasting impact on children. Frequent moves in search of stable, affordable housing can affect a child's ability to succeed in school. A study including an analysis of school data related to student achievement and interviews with 100 low-income families found a relationship between the number of times a child moves and his or her performance on standardized tests.[29] The study found that the more times a child moves, the more likely it is that his or her reading scores will suffer. The study also found that the fewer times a student moves, the better his or her attendance rates will be. In addition, sub-standard housing in poor neighborhoods impacts the number of years a child attends school.[30]

Mobile home residents face unique challenges

Many Oregonians — 62,000 by one estimate — have turned to mobile homes as a source of affordable housing.[31] Mobile home residents are in a unique situation — they typically own the home but rent the land the home rests upon. This does not mean, however, that mobile homes are often moved from place to place. In fact, the term "mobile" home is misleading. Mobile homes are not easily and affordably moved. A move can cost several thousand dollars.

Mobile homes are much less expensive than traditional houses. A comfortable home can be had for $50,000, although one can certainly spend more on a more luxurious model or less on an older home. After purchasing the home, the mobile home owner must then find land to rent or buy with the necessary utility hook-ups.

While mobile homes offer the advantage of being relatively affordable, owners living in parks are at a disadvantage compared to traditional home owners. While the mobile home owner owns their home, because they rent land in a mobile home park, they do not enjoy the autonomy that traditional home owners enjoy. If the mobile home owner is unfortunate to live in a park with a dictatorial manager, the owner can face strict rules about the appearance of their home, the pets or guest they are permitted to have, or almost anything else that the manager wants to regulate.

The biggest problems for mobile home owners living in mobile home parks are rent increases and sale of the park. Unlike an apartment renter, a mobile home owner cannot simply find a more affordable apartment on the market. The owner must save enough money to move their home or risk losing it altogether if they cannot afford the new rent. A proposed sale of a mobile home park brings the same problems. In areas of the state that have seen dramatic increases in land value, like Ashland and Medford, mobile home park owners can make more money by subdividing their land and selling it to traditional home developers. In the past, mobile home owners have banded together to buy the park themselves and protect it as affordable housing. However, because there is no state

Almost two years ago the residents of The Lower Pines, a mobile home court in Ashland, Oregon, were in immediate danger of losing their homes. A developer bought us to resell to a bank and was going to give us a one-year eviction notice with no help to move or relocate. The feeling was of total helplessness and hopelessness until Oregon Action stepped in to help us.

Oregon Action developed a plan to bring this to public attention. Through television, radio, and newspapers, the injustice of the bank and developers evicting us without compensation got support of many in the community. The bank didn't like this and backed out. But the developers continued with their plan and gave us an eviction notice. We were to be out by December 2002.

Oregon Action continued to guide us and fight for us. We went before the Ashland City Council telling them of our plight and the general lack of affordable housing in Ashland. We also went to the developer's home, anything to put them on the hot seat. Our eviction was an injustice. We needed help right away.

Other organizations joined with us. Churches got involved and the Rogue Valley Community Development Corporation, a local non-profit developer of affordable housing, helped purchase our court with support from the city of Ashland in order to improve and build affordable housing. They are helping all of us who would have been relocated.

— Sandy Burke

law outlining the process, these battles are often protracted and vicious, requiring the intervention of public officials to help negotiate a deal.

Homelessness in Oregon

The most severe demonstration of Oregon's lack of affordable housing opportunities is its homeless population. Some Oregonians are left out of the housing market all together: a recent study found that 9,000 homeless people sought shelter assistance every night.[32] Many of those looking for shelter were families. More than one-third — 37 percent — of the shelter seekers were children and 60 percent of these children were under the age of 12.[33]

A recent report for the Emergency Board of Oregon Housing and Community Services, "Homelessness in Oregon," argues that "families facing homelessness today are generally employed but their incomes do not meet the living wage needed to maintain housing. These are the working poor."[34] The report laments the lack of spending on prevention of homeless and notes that the majority of the limited funds available to address homelessness are spent on emergency shelter and transitional housing. Very little is allocated for stabilizing programs that will help families find permanent housing.

Even with the focus on meeting emergency shelter needs, Oregon shelters must still turn away hundreds of people each night. On any given night, nearly 800 of these turn aways are children. The report finds that the number of those turned away from shelters has increased by 163 percent since 1991.[35] The report also notes that the problem is getting worse. It finds that the number of those seeking shelter has increased by 105 percent and that the need for shelter is outpacing the resources. The Oregon Housing and Community Services agency estimates that homelessness has increased by 49 percent since 1990.[36]

Examples of how the need has outpaced the funding:[37]

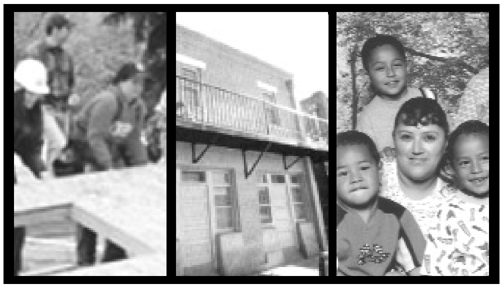
- In Hood River/Wasco and Sherman counties, 1,400 people are turned away annually.
- In Lane County, 25 percent of the budget for housing stabilization programs was cut.
- In Linn/Benton and Lincoln counties funding for housing for the handicapped was completely eliminated.
- In Marion/Polk counties, a year of rental assistance is used up in just six months.
- In Umpqua, more than 3,000 people in need of emergency service were turned away last year.

The condition of housing stock is also a problem

Limited affordable housing options are not the only problem that today's families face: dilapidated and substandard housing afflicts more than a million Americans nationwide who are unable to afford either repairs or better accommodations. Nationally, 10 percent of rural occupied housing units are considered to be moderately or severely inadequate.[38] The most common housing quality problem is poor insulation, which can significantly increase a family's utility bill, putting further pressure on low-income families. Holes and sags in roofs are also common problems. Other common deficiencies in housing quality are cracked walls and peeling paint, which can lead to lead-based paint exposure.

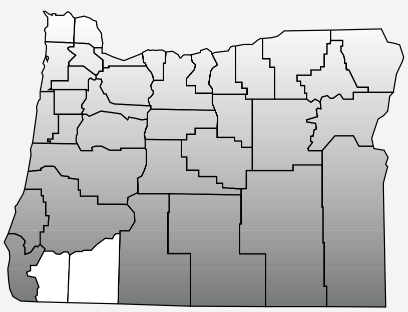
Homes built before 1940 are considered to be at risk for lead-based paint. About 13 percent of Oregon's housing stock (or 194,860) was build in 1939 or earlier and people living in these units are at risk for lead-based paint. The Centers for Disease Control (CDC) calls lead-based paint the most serious environmental health hazard for children today.[39] Often low-income families are unable to afford the cost of repainting their homes when old paint begins to flake and become exposed. Renters are at higher risk of exposure because landlords may not be aware that their structures have lead-based paint or may not want to pay for repainting.[40]

Prenatal lead exposure is linked to low birthrate, stunted growth, and hearing loss, as well as damage to a child's blood production and kidney development. Studies have shown that lead-poisoned children are seven times more likely to drop out of school and six times more likely to have a reading disability. They also have significantly lower IQs, attendance rates, class rankings, and vocabulary scores. Lead-based paint exposure is also associated with attention deficit disorder, hyperactivity, aggressive and antisocial behavior, and crime in later life.[41]



Community profiles

The lack of affordable housing cannot be ignored. Lack of homeownership opportunities will change Oregon by denying its citizens the wealth-building and unique benefits that homeownership offers. A rental market that forces families to pay an excessive amount of their income on rent means that the family will forgo necessities. The need for subsidized housing is outpacing the supply of Section 8 vouchers, leaving low-income families without real options. Some are forced to the streets, creating a transient population competing for scarce shelter space. The problems, however, are not insurmountable, but do require resources and will.



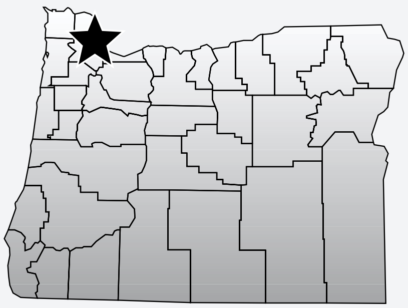
Jackson and Josephine counties

The southwest corner of Oregon is one of the state's fastest growing areas. With abundant recreational opportunities and a world famous Shakespeare festival, Jackson and Josephine counties' populations have grown 24 percent and 21 percent, respectively. They also enjoy homeownership rates higher than the state average. In Josephine County, 70 percent of residents own their own homes and 67 percent do in Jackson County.[42]

However, according to census data from 1999, families in both counties face severe rental cost burdens. In both counties, more than 40 percent of their residents paid more than 30 percent of their gross income on rent.[43] When rents require excessive amounts of families' incomes, these families must forgo other necessities like food, clothing, or health care. The large percentage of the population paying too much on rent should concern policy makers.

The census data illustrates another concern for Josephine County. More than 400 of Josephine County's units lack plumbing or kitchen facilities. The percentage of units without these essentials is more than twice the state's. Families living in homes without adequate plumbing or kitchen facilities face a struggle to meet their daily needs.

Jackson County and Ashland, in particular, has become one of Oregon's hottest housing markets due to the increasing popularity of the city. In the past two years, home sale prices have increased by double digits.[44] Considering that the average price in 2001 was $273,000, these increases are significant.[45] Not surprisingly, many have turned to renting and the renter population has increased by 24 percent. This, in turn, has led to lower vacancy rates and increased competition for rental units. A recent report from the Southern Oregon Rental Owners Association's December 2001 survey reported the apartment vacancy rate was less than 4 percent.



Portland

The National Association of Home Builders has consistently ranked Portland near the bottom of its annual ranking of affordable cities. Portland has experienced a population boom with in-migration from California and its housing production has not kept pace with population growth. Other data supports that Portland families face challenges obtaining affordable housing. The 1995 American Housing Survey data indicate that 63,000 families in Portland, or about one in ten, spend more than half of their income on housing.[46] A more recent report sponsored by the National Housing Conference finds that this number holds true today.[47]

The same study found that it is primarily renters who face the severe cost burden of spending more than half of their income on rent in Portland. Yet, homeowners were not untouched by a severe cost burden: 8,000 families who owned their own homes were paying more than half of their income on housing as well.[48] The study found that about two-thirds of the families facing a severe cost burden were working.

One response to the high cost of housing in Portland has been to move more people into one home. According to the 1998 American Community Survey, over 9,000 housing units in Multnomah County suffer from overcrowding. Overcrowding is defined by the US Census Bureau as "a situation in which a housing unit is occupied by more than one person per room."[49] Another report focusing exclusively on working families with incomes between minimum wage and 120 percent of area median income found that between 6,000 and 7,000 families in Portland live in overcrowded conditions.[50]

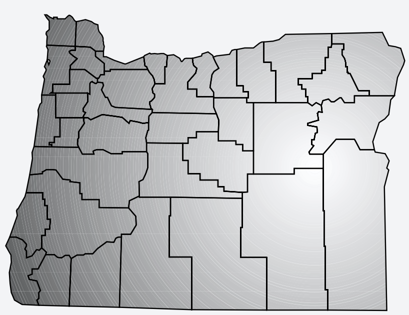
The 1999 Downtown Portland Affordable Housing Inventory found that rental housing affordable to very low-income residents in downtown Portland continues to decline and the city continues to fall short of its goal to re-establish the 5,183 low-income housing units that existed in downtown Portland in 1978. The report counted 3,691 units in 50 buildings that rent for

$425 or less per month. Units have been lost through demolition, expiration of federal assistance contracts, conversion to higher cost housing or other uses, or simple rent increases.

In June 1999, the Portland Development Commission issued a report, Homeownership in the City of Portland. This report responded to the city council's request for an overview of city initiates in this area. Significant findings of this report include:

- The city of Portland homeownership rate fell between 1970 and 1990, from 59 percent to 53.8 percent. By 1996, the homeownership rate had risen to 56.7 percent. This recent increase does not identify whether new homeowners were incumbent renters (first-time buyers) or previous homeowners moving into the area.
- Income growth has not kept pace with housing cost: for first-time homebuyers, the median-priced unit increased by 96 percent between 1986 and 1995; median income for this population increased by 52 percent.
- First-time buyers are down as a percentage of the home buying population, from 34 to 28 percent. Recent movers have increased their percentage of the home buying population.
- In 1995, 25- to 34-year-olds comprised 52 percent of first-time homebuyers, down from 60 percent in 1990, suggesting that Portland residents are waiting longer to buy a home.

While the economic growth in Portland has brought prosperity to some, it has also brought a shortage of affordable housing for the city's residents.



Eastern Oregon

The communities in Eastern Oregon were built upon the economic base of extractive industries, industries that are on the decline today. Precious metal extraction, primarily gold, was the original driving force behind settlement of much of Eastern Oregon. With Eastern Oregon's plentiful forests, the timber industry also quickly took root. Today, there are no large scale mining operations and the last mill in Baker County closed in 1996.[51]

The region endured a population exodus during the 1980s and 1990s and continues to lose population today, although not at the same rate. Malheur County's population, for example, decreased by only half a percent between 2000 and 2001.[52] The remaining population now depends on limited light manufacturing, agriculture, small scale mining, a prison, and tourism for jobs. The emerging tourism economy is based on a renewed interest in the Oregon Trail, which passes through the area, and the area's natural beauty. However, the new industries have failed to provide adequate jobs for the people of Eastern Oregon; the region suffers from some of Oregon's highest unemployment.[53] In addition, these jobs, particularly those in the tourism industry, do not pay at the same levels that the natural resources jobs did.

Not surprising, Eastern Oregon is extremely poor compared to the rest of Oregon. The median income in the area is lower than Oregon's overall. In addition, its poverty rate is significantly higher than the overall rate in Oregon. About one in five people in Malheur County live in poverty and 17 percent live in poverty in Baker County. Across Oregon, 12 percent of people live in poverty.

The cost of housing is correspondingly cheaper than elsewhere in Oregon. For example, in La Grande the average price of a two-bedroom home in 2000 was only $59,448, while the average price of a three-bedroom home was only $107,166.[54] But, because of the low incomes in the area, the lower cost of housing doesn't protect residents of Eastern Oregon from a housing cost burden comparable to more affluent parts of the states. More than one-third of renters (34 percent) in Malheur County pay more than a third of their income on rent. The bulk of them — 27 percent — pay more than 35 percent. Baker County is even worse. Thirty-eight percent of renters are cost burdened. A similar situation exists in Union County, where 41 percent of renters are cost burdened.[55]

Residents of Eastern Oregon are more likely to own their own homes than those living elsewhere in the state, but that doesn't mean that they can afford them more easily. Twenty-one percent of homeowners are in unaffordable situations in Union County. The picture is slightly better in Malheur County where 17 percent of homeowners are cost-burdened. Homeowners in Baker County are facing the worst situation: 23 percent of them are facing unaffordable mortgage payments.[56]

Another problem that Eastern Oregon faces is its aging housing stock. Nearly a third of the housing in Union and Baker counties was constructed before 1940. These housing units are at risk for lead-based paint and deterioration. The low incomes of the people in these communities compound the problem: they may not be able to afford to make the needed repairs when the time comes.

Rural Oregon is not immune to the housing affordability problem that those in Western Oregon face. In fact, the high poverty rates in these communities put them more at risk. Lower rents and cheaper houses do not make a difference if incomes are low as well.

Addressing the affordable housing problem

Lack of safe affordable housing has an enormous impact on American families and our communities. Families with high housing costs are forced to choose between paying for housing and putting food on the table. Children who live in substandard housing are more likely to suffer from debilitating conditions such as asthma and lead poisoning.[57] Children need safe and stable housing to grow up educated, healthy, and well adjusted.[58]

Without more financial resources, the need for safe affordable housing will not go away anytime soon. A U.S. Department of Housing and Urban Development (HUD) study published in 2001 found that the private market is not producing enough affordable rental housing to meet the existing demand.[59] For many private developers, building affordable units without some type of low-interest loan or grant isn't financially feasible. This section details ways to increase the supply of affordable housing.

Housing trust funds

As the federal government began to roll back its commitment to funding for low income housing, many communities established housing trust fund — dedicated revenue funds designed to generate affordable housing units — as a tool to address their affordable housing shortage. More than 275 housing trust funds operate in states, counties, cities, and towns throughout the United States. They provide more than $750 million each year to support the development of affordable housing. Last year, they created at least 65,000 units of affordable housing.[60]

Typically, housing trust funds provide low-interest loans and grants to affordable housing developers. The developers then leverage housing trust fund dollars to attract additional private and public money until they can raise enough capital to build affordable homes for low and moderate-income families.

Surveys of housing trust funds nationwide by the National Housing Trust Fund Project found that:

- Construction was completed on 99.8 percent of the units funded through housing trust funds.
- By 1997, housing trust funds had spent nearly $1.5 billion building and preserving almost 200,000 units of housing for low-income households.
- Housing trust funds exist in all types of communities, from small towns of 1,000 people to the largest states in the country.[61]

Housing trust funds are proven strategies to address the shortage of affordable housing by putting much needed funds into affordable housing developers' hands. But, they must be adequately capitalized to make a difference. Oregon has a functioning housing trust funds called Housing Development Grant Program, but it does not yet have a dedicated source of revenue and is severely under resourced compared to the need.

The trust fund was created in 1991 when the legislature proclaimed that "developing affordable housing in Oregon is necessary to maintain the quality of life, create jobs, and to further economic development."[62] The legislature provided the trust fund with $20 million in 1991: $14 million was to remain in trust while $6 million could be disbursed immediately. Supporters of the trust fund had been asking for $80 million because they believed that an additional 25,000 affordable housing units were needed at the time.[63]

Since 1991, the trust fund has received supplemental funds in every biennium and state lottery winnings from 1991 to 1997. The money is then allocated to housing developers through a competitive grant process. Because of its limited resources, the Housing Development Grant Program does not provide more than $100,000 per applicant. Considering that an affordable housing development can run into the millions, this amount is not adequate for larger, more ambitious projects. In nearly all cases the dollars requested exceed the available amount.[64]

In addition, the Housing Development Grant Program is hampered by not having a dedicated source of revenue. Because operators of the fund never know how much money they will have from year to year, it makes it difficult to embark on multi-year projects.

Housing trust funds allow communities to leverage new resources to create jobs, increase the tax base, and house more people. Increasing funding for Oregon's trust fund will pay off in leveraged resources, jobs, and new taxes. Here are just a few examples of the positive impact that housing trust funds have had on state and local communities throughout the nation:

State of Washington Housing Trust Fund: investing wisely; leveraging more

Since its inception, the Washington Housing Trust Fund has invested more than $159 million to create and rehabilitate 11,477 housing units and has provided $24 million in weatherization funds to improve 24,740 homes. This activity has created 11,867 jobs in construction and related industries, generating more than $300 million in wages. Funded projects have returned about $45 million to the government in sales taxes on construction materials. Projects have leveraged a total of $707 million in private and other public monies.

State of Vermont Housing Trust Fund: innovative development & conservation

Vermont has created the only fund in the country that supports both housing and land conservation. In its nine-year history, the fund has created more than 4,100 units of affordable housing and conserved 140,000 acres of environmentally important land in Vermont communities. In 1996, it funded more than 500 projects that leveraged over $30 million in private, federal, and local funds.

Sacramento City/County: partnering with private investors

Sacramento's Housing Trust Fund leverages outside private resources at a rate of $10 to $1 from the fund. Every dollar spent by the housing trust fund to develop affordable housing generates $7 in construction-related expenditures, including $4 in wages and $1 in fees for Sacramento County. In addition, each project returns an average of $227,000 to the economy each year in new taxes.[65]

Housing trust funds do more than build new homes: they help communities create new jobs in the construction industry and increase the property tax base. The National Association of Home Builders finds that residential construction stimulates the economy *directly* by generating jobs, wages, and tax revenues, and *indirectly* as the demand for goods and services increases due to the increase in construction activity.[66]

The economic impact of housing development can thus be seen as a ripple effect: more housing creates more jobs. Those new wage earners go out and spend their income, which in turn helps to create additional jobs and economic stimulus.

Community land trusts

Like housing trust funds, community land trusts have bloomed in popularity and now at least one operates in every state of the country. Community land trusts are organizations that acquire land for the purpose of providing secure affordable access to land and housing for community residents. The goal of community land trusts is to meet the needs of those priced out of the housing market by taking the high cost of land out of the price of a home. Communities have found that land trusts also help to reduce speculation and absentee ownership of land and housing and preserve the long-term affordability of housing.

In most community land trusts, a resident owns the house and any other improvements, but the trust maintains ownership of the land. Typically, the community land trust organization will sign a long-term (often 99 years) lease with the owner of a house on the land assuring the home owner that the property will remain available for them to live upon. The goal of a community land trust is to preserve the land in perpetuity for affordable housing.

In turn, the home owner agrees that if they ever wish to sell their home, that they will sell the home to the trust or another low-or-moderate income family or in accordance with a resale formula. While many community land trusts allow home sellers to profit from the sale of their home, the profit is not typically as much as if the home had not been on community land. Essentially, the home owner agrees to limit the resale price of their home in order to receive all of the benefits the trust provides at the time of purchase.

A successful land trust is already at work in Ashland, a community with very high land costs due to its increasing popularity. In operation since 1999, the Ashland community land trust has developed several houses each year which are affordable to families who earn 80 percent of less of the county's median income. Other land trusts that have recently sprung up include one in Clackamas County, Oregon by Northwest Housing Alternatives, and one in Eugene by the Neighborhood Economic Development Corporation. The Affordable Housing Commission in Bend also recommended the formation of one.

Local affordable housing commissions

Establishing local housing commissions to address the shortage of affordable housing in Oregon's local communities is an important first step. Housing commissions can study and draw attention to the affordable housing crisis in a community. They can hold public hearings to learn from the community the problems with affordable housing. They can commission studies that rely on experts to define the affordable housing problem. And they can study and recommend solutions to the affordable housing problem. Possibly most importantly, they can help keep policy makers focused on the task of finding a solution to the problem.

Ashland has established a housing commission to help the city address its shortage of affordable housing. Its mission is to "encourage housing that is available and affordable to a wider range of city residents and preserves the diversity and character of the community by providing opportunities to enhance cooperation between the public and private sectors, encouragement of financial entities to support housing programs in the city, and coordination of housing and supportive services programs."

The powers and duties of the housing commission are:

- To develop and recommend coordinated housing and supportive services programs;
- To recommend housing and supportive services priorities for the city;
- To review and make recommendations to the city council and budget committee on the Community Development Block Grant (CDBG) and related allocations;
- To investigate federal, state, county, and private funding for implementation of city housing programs;
- To oversee the compilation of accurate information on the city's housing supply and affordability;
- To monitor projects funded with the CDBG and the housing trust fund;
- To act in an advisory capacity to the mayor and city council regarding housing and related issues in the city and the city's properties;
- To foster public knowledge and support of the official city housing programs.

The city of Bend also has an affordable housing task force. It recently published a 60-page report that detailed the problems that Bend has with affordable housing and helped draw attention to the affordable housing problem in Bend. The Medford city council moved to establish a housing commission because it wanted to make sure that it was accessing all available state and federal housing funds.[67]

Inclusionary zoning: a good idea for affordable housing

Inclusionary zoning has been used to create affordable housing opportunities with great success across the country. Unfortunately, in 1999, the state legislature succumbed to pressure from developers and banned the practice of inclusionary zoning. The proven success of inclusionary zoning and the extreme need for affordable housing suggest that it is time for the legislature to reconsider its decision.

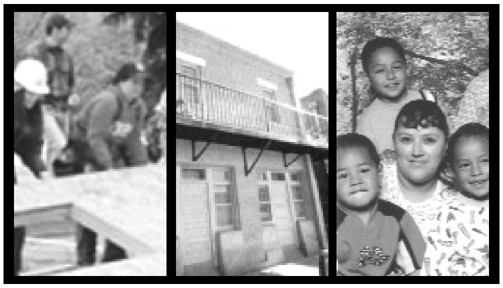
Unlike most zoning, which excludes certain kinds of structures or activities, inclusionary zoning requires that at least some of new development be reserved as affordable for lower income members of the community. As a result, the newly developed community is much more diverse both in terms of the people populating it and the designs used in its buildings. Some communities offer builders within an inclusionary zoning area a density bonus to make it more attractive to build there. This density bonus allows the developer to build beyond the density of what is typically allowed in that area. Other communities will allow the developer to pay a fee in lieu of providing the affordable units.

One example of successful uses of inclusionary zoning include Montgomery County, Maryland. An inclusionary zoning ordinance has been in place since 1974 in Montgomery County. It requires that developments of more than 100 units include at least 15 percent moderately priced units. Montgomery's mandatory inclusionary zoning program has produced nearly 10,000 units since 1974.[68] Small communities have also used inclusionary zoning to great success. Many counties in Colorado, including Aspen, have adopted the zoning ordinances to ensure that affordable housing is preserved for those in the community.[69]

Local mobile home court resident protection

With affordable housing at a premium in Oregon, it is critical that existing affordable housing be preserved. The increased value of land has made the selling of mobile home parks — a source of affordable housing for over 60,000 Oregonians — attractive to mobile home owners. Residents have found that they have little protection against a sell-off.

Local communities can take action to protect this vital resource of affordable housing by adopting ordinances that address the sale of mobile home parks. At a minimum, these ordinances should require the would-be seller to report on the economic impact of the sale. This economic impact report should address the availability of comparable replacement spaces in other mobile home parks, the relocation costs associated with relocating the tenants and manufactured dwellings to be displaced, and the impact on the city's affordable housing inventory. The ordinance should also provide the tenants with the opportunity to purchase the mobile home and preserve it as affordable housing.



Conclusion

Owning a home is the American dream. Unfortunately, the reality of low wage jobs, high costs, and widespread housing shortages make that dream unattainable for many families in Oregon. The rental market in Oregon is equally inhospitable. Other housing challenges in Oregon include a growing homeless population that includes a large percentage of children and families and an aging housing stock in need of repair.

The housing problem, however, is not insurmountable. Local communities have at their disposable numerous strategies to address their local housing needs. Establishing housing trust funds with dedicated sources of revenue is an important first step. Two hundred and seventy-five other communities have used these tools to generate affordable housing for their community. Because housing trust funds leverage an average of $9 from private, non-profit, and other governmental sources for every $1 from the funds, they generate jobs and new resources at the same time that they produce affordable housing.

Working in tandem with housing trust funds, community land trusts can also be a source of affordable housing. By taking the value of the land out of the price of constructing housing, this strategy can enable developers to create affordable housing even in the most expensive parts of Oregon.

Inclusionary zoning is another strategy that local communities would have at their disposable if the state legislature repealed the ban. The proven effectiveness of these zoning ordinances and the extreme need for more affordable housing should compel the legislature to stand up to developer interests on behalf of families in need.

The time has come for Oregon's local communities and state legislature to address the growing crisis of inadequate, unsafe, and unattainable housing. This crisis touches every community in every state. By working together, the people in Oregon can end the shortage of affordable housing.

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About the organizations releasing this report

Oregon Action (OA) is a statewide, non-partisan network of people and organizations dedicated to economic justice for all through individual and group empowerment. Oregon Action was founded in 1997 to build on the history and values of Oregon Fair Share, which for twenty years organized low and moderate income people to win consumer and community reforms.

Northwest Federation of Community Organizations (NWFCO) is a regional federation of four statewide, community–based social and economic justice organizations located in the states of Idaho, Montana, Oregon, and Washington: Idaho Community Action Network (ICAN), Montana People's Action (MPA), Oregon Action (OA), and Washington Citizen Action (WCA). Collectively, these organizations engage in community organizing and coalition building in 14 rural and major metropolitan areas, including the Northwest's largest cities (Seattle and Portland) and the largest cities in Montana and Oregon.

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