

Director's Message

December 8, 2006

TO: Oregon Housing & Community Services partners and employees
FROM: Victor Merced, Director , OHCS

The Oregonian said it this way: "It's been a long, long time since an Oregon governor rolled out a proposed budget as strong and optimistic as the spending plan that Gov. Ted Kulongoski presented Monday."

Indeed, Monday brought good news to nearly every corner of state government.

While most media attention focused on the public safety and education funding aspects of the governor's 2007-2009 budget, his proposal also promises much for the people served through Oregon Housing and Community Services.

The Governor's proposed budget for OHCS aligns with goals for our agency:
to support the ongoing public and private sector efforts to end hunger in Oregon;
to find a solution to the problems of homelessness and housing affordability;
and
a stronger relationship with the Governor's economic development agenda

Hunger

The Governor's budget adds \$1.5 million to strengthen state anti-hunger efforts.

Oregonians have made a lot of progress toward ending hunger through collaborative public-private effort to reduce food insecurity among our most vulnerable citizens. Oregon is no longer the "hungriest" state in the nation, yet many state residents continue to experience hunger and food insecurity.

The new funding will increase the capacity of the Oregon Food Bank Network to deliver emergency food assistance to those in need, and break down barriers to ensure more food can be distributed statewide. A new Food Policy Council will enhance coordination of the many fronts of the battle against hunger.

Homelessness and Housing Affordability

Governor Kulongoski's budget invests significantly in housing for people experiencing homelessness by adding \$16 million for housing.

The budget also proposes an \$8.1 million investment in the preservation of Section 8 housing in Oregon.

Vulnerable and at-risk homeless families respond better to interventions and social services support while in their own housing, rather than emergency shelters or on the streets. Stable housing allows such families to regain the self-confidence and control over their lives lost when they became homeless. Programs that house the homeless, often known as "housing first" programs, seek first to place homeless families in stable housing, then deliver services to address the causes of that homelessness. The new funding will support the development of 150 units of housing.

Starting in 1975, Housing and Urban Development (HUD) provided financing and signed 20-year contracts with private owners of multifamily housing to subsidize rents at their properties with project-based Section 8 funds. The project-based subsidies ensured that low-income tenants did not pay more than 30 percent of their income for rent. At the end of the contract period, owners have the option of renewing their contracts, or opting out of the program altogether. Although contracts began to expire a number of years ago, the number of units eligible to opt-out to date has been limited. Many owners renew their contracts on a short-term basis as they consider their options and wait to see what course Congress and HUD will follow in addressing the preservation issue.

Preservation of existing project-based rent assisted housing for low-income Oregonians may be the most important housing issue facing Oregon in the next ten years. Finding a solution will be critical in providing housing for the population at high risk of becoming homeless. Seniors on fixed incomes and families with young children now live in Section 8 units. The program ensures that participants pay no more than 30 percent of their income on housing. Approximately 4,000 households face the potential loss of their housing in the OHCS portfolio alone. This represents approximately 2,480 people over age 68, 1,135 people with disabilities, and 2,657 families with children.

Funding Restoration

The Governor's budget proposes a \$2 million capital investment to strengthen our bond rating.

Our agency sells bonds to finance affordable housing. In simple terms, bond purchasers loan money to OHCS, OHCS pays the bondholder interest for the term of the bond, and at the end of the term, principal.

To attract investors, OHCS must pay interest on time and offer a low-risk investment opportunity. A strong rating allows OHCS to sell lower-yield bonds than entities with a less creditworthy reputation.

During the 2001 session, the legislature transferred \$3.8 million in General Funds from our budget, and backfilled the reduction with dollars from our bond program. The Governor's budget will help us retain a strong rating and attract investors who might otherwise purchase bonds that pay a higher rate of return.

Such an investment will ensure that OHCS can continue providing affordable rental housing and homeownership opportunities for low-income Oregonians.

The Process

In addition to this promising recommended budget, advocates who care about housing issues continue to move their own strategies. The Housing Alliance, for example, presented its \$100 million proposal to the Senate Revenue Committee recently. The group intends to use funds raised by increasing document recording fees to finance multi-family rental housing, address homelessness, increase homeownership, and build the capacity of community-based agencies to address the state's housing needs.

It is no coincidence that the Governor and advocates think the time is right to invest in housing. And while we will not know the outcome until the end of the legislative session, I feel this energy bodes well for the people OHCS seeks to help.

OHCS is better able to demonstrate performance than at any time in its history. Our ability to show results for the investment of public dollars will help us during the budget process. I am proud of what we have accomplished and glad we have data to demonstrate those accomplishments to policymakers.

I look forward to working with you to address the problems of hunger and homelessness.

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