

Housing Market Analysis

The great recession that began in the late 2000s was felt most acutely here in Oregon. A recent report by the Oregon Employment Department “Why Oregon Trails the Nation: An Analysis of Per Capita Personal Income,” found that in the past decade, the state’s inflation-adjusted PCPI grew by 7 percent compared to 12 percent for the nation. The report also found that the PCPI in the state’s metropolitan areas is far below the average for all metropolitan areas in the nation. In contrast, the PCPI in Oregon’s non-metropolitan areas is similar to non-metropolitan areas across the nation.

A second report by the Brookings Institute and the London School of Economics studied 150 major metropolitan-area economies around the world. The report found that the recession has hit Portland harder than just about anywhere else in the world. It concluded that Portland fell from a pre-recession economic rating of 45th to 139th in 2009 and 102nd in 2010. The study said one reason for the dramatic fall was an over-reliance on the residential real estate industry that was especially hard hit by the collapse of the housing market.

The Oregon Employment Department cites several other reasons the state’s PCPI lags so far behind the rest of the nation. They include:

- Lower industry wages.
- Lower earnings by proprietors.
- A fast-growing population.
- Lower wages in high-paying occupational groups.
- A net outflow of commuter wages.
- Higher unemployment rate and lower employment-to-population ratio.
- Shorter average workweek and more part-time work.

The report concludes by saying there are no simple solutions that would quickly raise Oregon’s PCPI to the national average. It is the result of thousands of individual and business choices that are beyond government control.

In 2011, Oregon’s economy is beginning to edge upward. In February, seasonally adjusted payroll employment grew by 9,800, Oregon’s largest one-month gain since November 1996 when 10,600 jobs were added. Oregon’s unemployment rate continued its consistent downward trend. Since reaching a high of 11.6 percent in June 2009 it has trended downward, reaching 10.2 percent in February.

In February, five of the ten major industries saw significant gains in employment. Construction added 1,200 jobs in February, when a loss of 800 is the normal seasonal movement. Most of the gains came from specialty trade contractors, which added 1,000. Building foundation and exterior contracts added 500 jobs, and have added 1,800 since February 2010. Building equipment contractors, such as

electricians and plumbers, added 300 jobs. Construction employment appears to have turned the corner and headed upward. The past three months have each seen seasonally adjusted job gains. The sector bottomed at close to 67,000 jobs during June through November, but has since grown to 70,300 by February.

Impact of the Recession on Low-And-Moderate Income Oregonians

Although Portland is one of the most affordable major West Coast cities, decreasing housing affordability has become the most significant housing issue in the Portland metro area over the last decade. Cost burdens for both owners and renters have been increasing due to rising housing prices and rents and relatively flat income growth.

Housing Affordability for Renters

While the supply of housing in Portland has kept up with population growth, housing affordability is a major issue in the Portland metropolitan area. Table 1 compares rents affordable to households at 30 percent, 50 percent and 80 percent of median family income in the metropolitan area with the fair market rent for units.

Table 1: Affordable Housing in Portland Metropolitan Area

What is Affordable Housing in the Metro Area?

(Clackamas, Multnomah, Washington Counties)

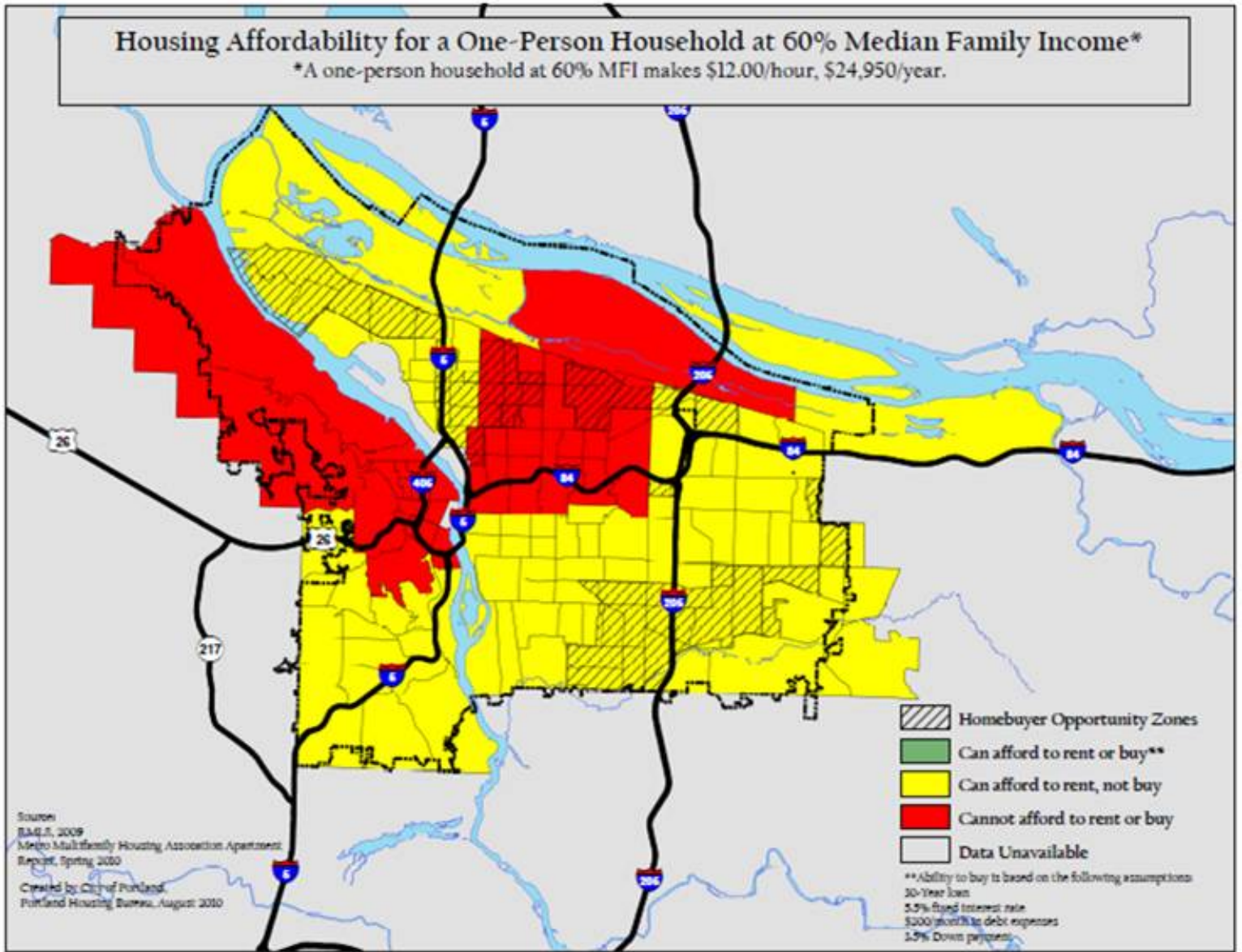
Fair Market Rent: 1 BR/\$726, 2 BR/\$839, 3BR/\$1,222, 4 BR/\$1,467

Median Family Income	One Person Household			Four Person Household		
	Annual Income	Hourly Wage	Affordable Cost	Annual Income	Hourly Wage	Affordable Cost
30% MFI	\$14,950	\$7.18	\$373	\$21,350	\$10.26	\$555
	4/5 time fast food or child care worker			Home health aide, short order cook		
50% MFI	\$24,950	\$11.99	\$623	\$35,600	\$17.11	\$925
	Retail salesperson, taxi driver			Medical assistant, construction laborer		
80% MFI	\$39,900	\$19.18	\$997	\$56,950	\$27.38	\$1,481
	Dental assistant, credit analyst			911 dispatcher, drywall installer		
100% MFI	\$49,840	\$23.96	\$1,246	\$71,200	\$34.23	\$1,851
	Mental health counselor, Clergy member			Occupational therapist, software engineer		

Sources: 2010 HUD MFI levels, Oregon Employment Department wage information, 2010

Hourly wage assumes 40 hours/week, 52 weeks/year.

Affordable Cost is 30% of total income (rent or mortgage plus utilities), the standard of affordability used by HUD.



In order to place this in a policy context, it is important to understand the size of the population served by federally-funded housing programs. Table 2 gives the percentage of renter and homeowners within identified income ranges for Multnomah County.

Table 2: Income Distribution of Households, Multnomah County, 2009

Household Income Range	Number of Renters	Percent of Total Renters	Number of Owners	Percent of Total Owners	Number of HH in Range	Percent of Total HH in Range
Below 30% MFI	34,515	29%	10,600	6%	45,115	16%
30.1% to 50% MFI	22,420	19%	12,625	8%	35,045	12%
50.1% to 80% MFI	28,355	24%	24,760	15%	53,115	19%
Above 80% MFI	34,555	29%	119,130	71%	153,685	54%
Total Households	119,845	100%	167,115	100%	286,960	100%

Source: US Department of Housing and Urban Development’s Comprehensive Affordability Strategy (CHAS) data.

One way to measure the proportion of housing needs that are being met is to compare the number of households that fall in a given income range, with the number of rental units affordable to households within the income range. Table 3 below was derived using HUD’s Comprehensive Affordability Strategy (CHAS) data. HUD expects to post new CHAS tabs, for new years of ACS data, as they are obtained. HUD has not yet made updated CHAS housing supply data available to users. When these data are available, this table will be updated.

Table 3: Comparison of Renter Households and Availability of Units, Multnomah County, 2000

Income Range	Renter Households (all sizes)	Renter Units	Percent of Occupants within Income Range	Percent of Need Met by Existing Stock	Surplus/ Shortage Units
Below 30% MFI	26,319	13,270	62%	44%	-13,049
30.1% to 50% MFI	19,624	33,966	48%	143%	17,771
50.1% to 80% MFI	28,604	58,699	59%	269%	33,140
Above 80% MFI	40,050	10,394	Not Available	27%	29,139
Total Households	114,597	116,329			8,723

Source: US Department of Housing and Urban Development’s Comprehensive Affordability Strategy (CHAS) data.

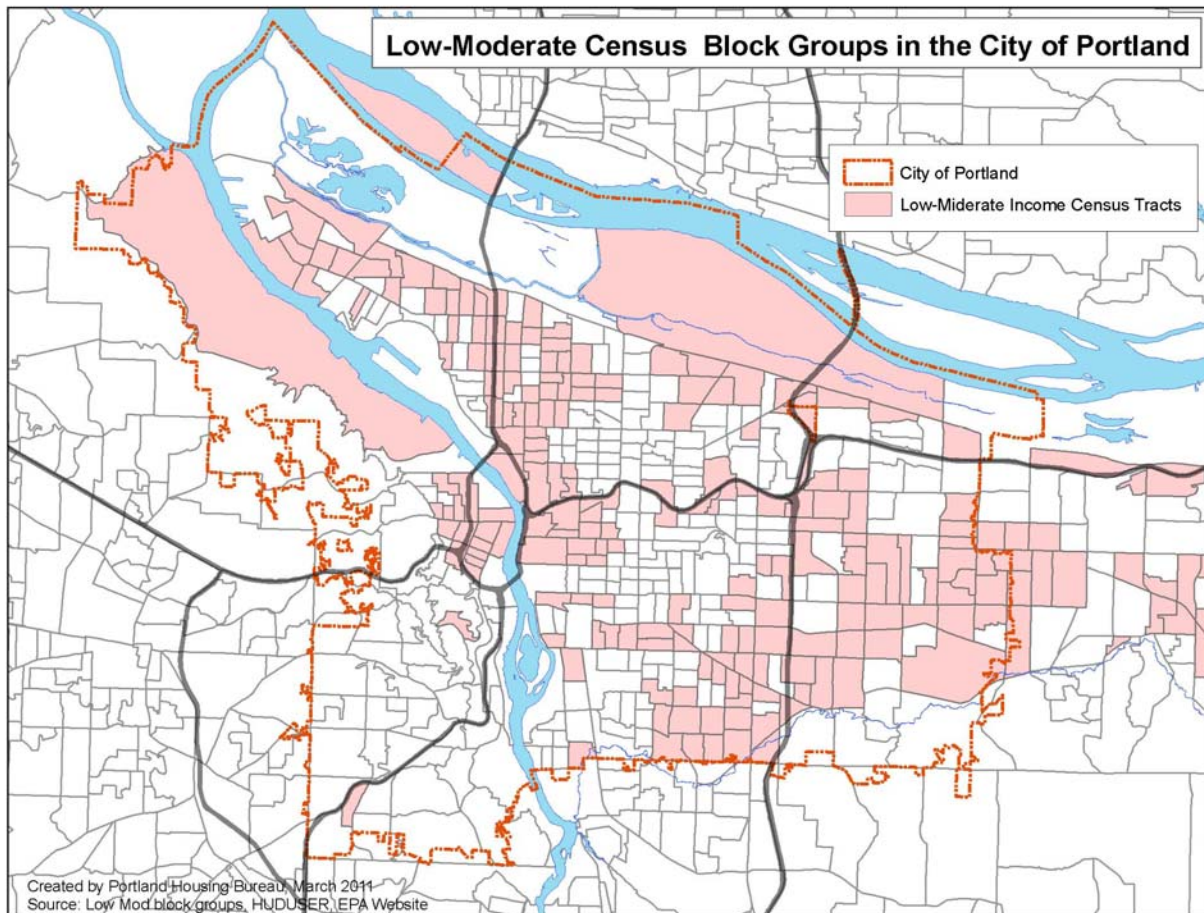
The National Low Income Housing Coalition recently completed a statewide analysis of the deficit of affordable and available rental units using the 2009 American Community Survey PUMS housing file. The results of the analysis are shown in table 4.

Table 4: Statewide Deficit of Affordable and Available Rental Units (2009)

Income Range	Deficit/Surplus of Affordable Rental Units	Deficit/Surplus of Affordable and Available Rental Units	Affordable and Available Rental Units Per 100 Households
Extremely Low Income	-65,541	-94,031	21
Very Low Income	-52,854	-114,659	48

Source: 2009 American Community Survey PUMS housing file

Map 2: Portland Low and Moderate Income Census Block Groups



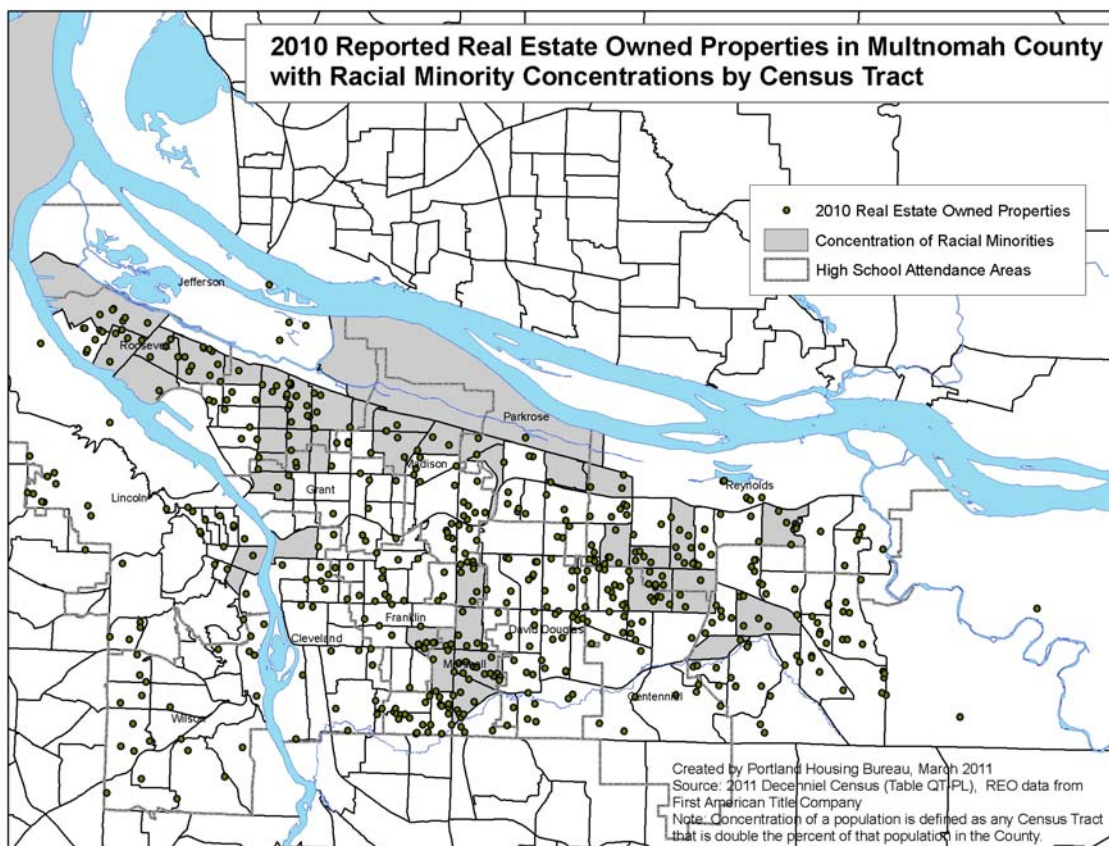
HUD has defined certain tracts as having greater than 51% of the households as low or moderate income. This designation is based on Census information as depicted in the Map 2 above. HUD will release low and moderate income summary data based on the 2010 census in the fall of 2011.

Housing Affordability for Homeowners

Foreclosures

Although housing prices rose considerably faster than incomes in the last five years, many households were able to purchase homes through the use of nontraditional mortgage products including subprime mortgages as well as adjustable rate, interest only and payment option loans. These homebuyers are at risk of default if they are unable to make payments when their loans reset at higher rates or unable to sell their homes for as much as they owe on their loans. In the Portland area, as is in the rest of the country, housing price appreciation has reversed, the delinquency and foreclosure rates have risen and the inventory of unsold homes has increased dramatically. Given the increase in the unemployment rate in the last year or so, even those households with traditional mortgages are in danger of losing their homes if their members lose their jobs.

Within the Portland metro area foreclosure activity varies considerably. Map 3



High Cost Loans

One of the underlying indicators of future foreclosure activity is the number of high cost loans that are made to area households. High cost loans have high interest rates and the assumption is that households with high cost loans (such as subprime loans) are at greater risk for foreclosure.

Table 5: Conventional Home Purchase Loans by Subprime Lenders by Race and Hispanic Status, Multnomah County

	2005		2006		2007		2008		2009	
	No.	Pct	No	Pct	No	Pct	No	Pct	No	Pct
Pct to Whites	4063	25.0%	3184	22.5%	1080	10.1%	153	3.3%	59	2.1%
Pct to Blacks	296	51.8%	183	40.9%	56	19.1%	8	7.5%	3	0.0%
Pct to Asians	278	18.3%	358	24.4%	103	9.4%	9	1.9%	2	0.6%
Pct to Native Americans	88	47.1%	62	36.7%	19	18.3%	0	0.0%	0	0.0%
Pct to Native Hawaiian or Other Pacific Islanders	85	49.4%	47	33.1%	11	12.4%	2	4.7%	0	0.0%
Pct to Hispanics	762	55.2%	688	52.9%	209	28.5%	13	6.1%	2	2.1%
Total	5495	27.4%	4046	23.5%	1373	10.5%	186	3.3%	70	1.9%

Table 6: Home Refinancing Loans by Subprime Lenders by Race and Hispanic Status, Multnomah County

	2005		2006		2007		2008		2009	
	No.	Pct	No	Pct	No	Pct	No	Pct	No	Pct
Pct to Whites	2824	19.8%	2977	23.9%	1574	15.0%	345	4.7%	115	0.8%
Pct to Blacks	284	40.9%	284	42.5%	132	26.4%	26	10.1%	3	1.1%
Pct to Asians	118	15.1%	180	24.2%	76	12.3%	24	5.0%	7	0.7%
Pct to Native Americans	49	28.7%	59	36.9%	19	18.1%	10	12.0%	0	0.0%
Pct to Native Hawaiian or Other Pacific Islanders	36	29.5%	43	31.6%	27	21.6%	3	4.2%	1	1.2%
Pct to Hispanics	234	32.4%	304	39.1%	175	26.9%	38	10.3%	7	1.5%
Total	3612	20.8%	3880	25.3%	2043	15.8%	460	5.1%	148	0.8%

Subsidized Housing Supply

As cited in the Portland Plan, a 2007 draft of Metro's Regional Affordable Rental Housing Unit Inventory, indicated that Portland had about 21,430 rental housing units were affordable to households at or below 80 percent of area median income that had public subsidy. Almost all units were regulated (92 percent, or about 19,780 units). Not included in the Inventory are ownership units, market-rate rental units, Section 8 rental voucher units, dorms, homeless shelters and transitional housing. Section 8 rental voucher units total about 6,600 in the City. Some of these vouchers are used to rent housing in projects that receive other subsidies so it is difficult to determine how much larger the total number of subsidized units would be if the Section 8 vouchers are added in. It should be noted that subsidized units only provide a portion of the City's supply of housing units affordable to low and moderate income households, much of this housing is privately owned market-rate units, particularly in older buildings, and includes units in manufactured home parks.

The largest source of funding for subsidized low income housing in the City is the federal government. They fund the Housing Authority of Portland and provide funds for City housing programs through the Community Development Block Grant Program (CBDG), HOME and Housing for People with AIDS (HOPWA) programs. They also distribute Low Income Housing Tax Credits (LIHTC) through the State of Oregon Department of Housing and Community Services. The State of Oregon and the City of Portland also provide financial assistance for low income housing and require affordability agreements as a condition of that assistance.

Housing Authority of Portland

The Housing Authority of Portland (HAP) is the largest nonprofit provider, operator and developer of low income housing in the City. HAP assists about **13,000 households** in the city with either housing or Section 8 vouchers. (HAP's service area includes all of Multnomah County.) As of March 2009, HAP has 4,960 housing units in the City of Portland according HAP staff. About 2,380 units are in their Public Housing portfolio and about 2,580 are in their Affordable Housing portfolio. HAP has about 6,600 Section 8 rental housing vouchers in use in the City of Portland. These vouchers are given to tenants to rent housing on the open market; HAP also distributes 1,630 project-based vouchers that are assigned to particular housing projects. Both the rental and project-based vouchers may be used in buildings that have other housing subsidies. HAP provides housing for households up to 80 percent area median family income but most households that they serve are very low income. The households in their service area are very low for both Public Housing (\$10,219) and Section 8 vouchers (\$10,306). Almost 7,000 households were on the waiting list for low income housing assistance in March, 2009, about 3,665 for public housing and 3,261 for Section 8 vouchers. This is some indication of the pressing need for very low income housing.

Low Income Housing Provided by Nonprofits

The City has a tax exemption program for nonprofit low income housing providers. This program exempts the residential portion of buildings reserved for low income households owned by nonprofit owners from property taxes. Mostly local community development corporations (CDCs) participate in the program. The total number of units in the program provides a good estimate of the units provided by nonprofit housing providers. (HAP, student, and privately-owned rent-restricted low income housing units and homeless shelters are not included in this program.) In 2008, there were about 40 organizations with 7,800 units assisted by the program. Most of the nonprofits are local but some are

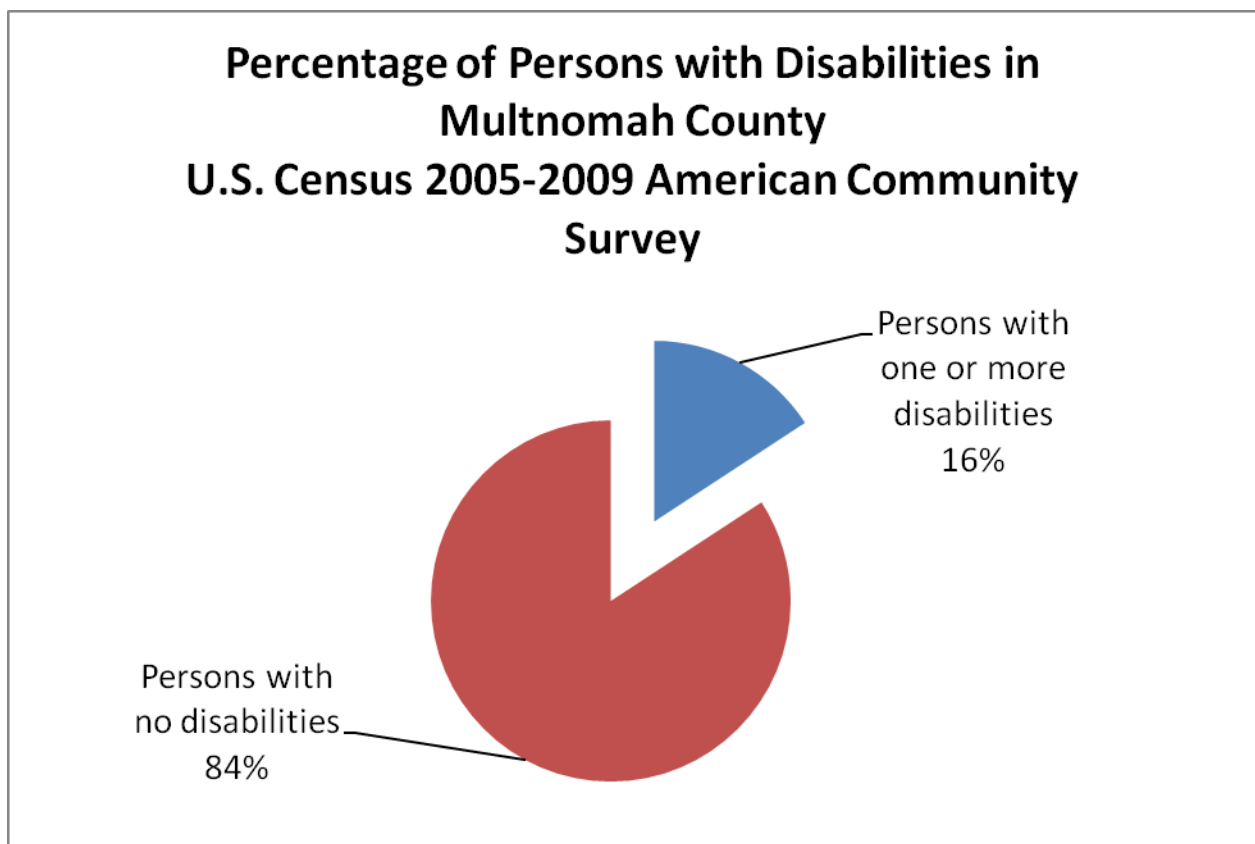
not. Some organizations own only one property but others own numerous properties with hundreds of units. The City tax exemption is only one of a number of subsidies that support the housing owned and/or managed by these organizations.

The City requires that households residing in the units receiving tax exemption be low income (60 percent MFI or below) but does not require any other information about the households served. Many of the larger local organizations belong to the Oregon Opportunity Network, formerly the Community Development Network (CDN). In March 2004, CDN did a survey of over 5,000 housing units owned or managed by member CDCs. They found that 68 percent of the residents of the housing units owned by the CDCs had incomes below 30 percent MFI, 25 percent were between 30-50 percent MFI and 7 percent were over 50 percent MFI.

Special Needs

According to the 2005-09 American Community Survey, 16% of the total population of Multnomah County has one or more physical or mental disabilities. See Chart 1.

Chart 1: Percentage of Persons with Disabilities, Multnomah County



These individuals often need housing or a combination of housing and services that meet their needs. A higher percentage of this population has incomes below the poverty level, 30 percent, compared to the population without a disability, 12 percent. Because of limited income and other reasons, certain

segments of the population with disabilities are at greater risk of homelessness than the general population.

Data Sources:

Brookings Institute and the London School of Economics, Global MetroMonitor: The Path to Economic Recovery, November 2010.

City of Portland, Portland Plan, Housing Affordability, 2009.

National Low-Income Housing Coalition, Housing Affordability by Congressional District, 2010.

Oregon Employment Department, Why Oregon Trails the Nation: An Analysis of Per Capita Personal Income, November 2010.

U.S. Census Bureau, American Community Survey Data, 2005-2009.

U.S. Department of Housing and Urban Development's Comprehensive Housing Affordability Strategy (CHAS) data.

U.S. Department of Housing and Urban Development, Office of Policy