

# Fair Housing Subsidizing the "hot market"

BY JOHN POWELL  
FOR THE PORTLAND OBSERVER

Portland's housing market is fitting the national trend and the west coast trend, more specifically, with its soaring housing and land costs. This indicates that it is not the Urban Growth Boundary that is responsible for the rise in housing costs, but rather a supply and demand dynamic.

Increased housing costs alone do not provide the whole picture, however, and it is necessary to compare the rise in housing costs to the region's income. The Median Family Income for the Portland Region has remained relatively stable around \$35,000 while housing costs have soared.

Dangers of "hot market" include: Increased scarcity of affordable housing, leading to homelessness, displacement of low and middle-income people from the region, and unstable, unsafe housing conditions for those who are priced out of the rental and ownership market altogether.

Community/regional instability as low and middle-income residents face huge housing challenges with workforce threatened because housing is unaffordable.

More localized displacement as affordable housing is eaten up through gentrification, displacing large numbers of low-income residents from their homes and communities. The communities these low-income and high-need residents are relocating to have fewer resources with which to address their needs. Affordable housing preservation and development are required to subsidize the "hot market."

Affordability Mechanisms-Preservation and Development of Affordable Housing.

There are a number of ways to create affordable housing in the Portland region. The Community Development Network and the Coalition for a Livable Future have compiled a useful review of Fair Share strategies, called "Fair Share Housing Allocation Strategies: A Review of Methods and Approaches." (Oct. 1998)

The provision of affordable housing is an issue that requires the input and guidance from governmental resources as well as private sources. Government must play an important role in creating and preserving affordable housing through legislative mandates and guidelines, and by providing resources (money, land, tax subsidies) that encourage the development, replacement, and the preservation of affordable housing in a region.

Funding sources must come from a wide variety of existing sources and by lobbying for more public and private investment in affordable housing.

Some of the funding sources that should be used include: Regional, County, and City resources coordinated under a regional plan.

Affordable housing trust funds may be set up at a local or regional level. Funding sources for the trust fund may come from land sale tax, or speculation tax for those who are reaping a huge financial gain from sale of property during the hot market (strategies to slow the hot market).

State Resources: some states have set up affordable housing trust funds.

Federal Resources: tax incentives, including the Low Income Tax Credit and the Rehabilitation Tax Credit these are important sources to link private investment and affordable housing development or preservation.

The vagaries of the rental housing market and the importance of home ownership in building equity for American families are destabilizing forces for individuals, communities, and regions. Permanent affordability mechanisms ensure that the subsidy that is invested in affordable housing is not completely lost in the future. If public or private investment in affordable housing is lost by rent increases or property sale, then there is the risk that new subsidies will be needed in the future to address affordable housing crises in the future.

Some proposed mechanisms to ensure the permanency of affordable housing include:

- Public ownership
  - Private non-profit ownership
  - Community land trusts-publicly or privately administered
  - Covenants on the land that require affordability
  - Mandates by local/regional government that require a certain amount of affordable housing preservation or development, often linked to other housing development or industrial/commercial development (providing affordable housing for commercial development's workers).
- An important factor to be considered when proposing permanent affordable housing mechanisms is that one of the primary methods of accumulating wealth in this country is through home ownership. Although it is important to preserve the investment in affordable housing, and this should be a priority, it should not leave out all opportunities for accumulating wealth through the equity gained in home ownership.

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