Rising financial instability in Oregon's affordable housing portfolio

Affordable rental housing owners and operators are under real financial strain right now, both in Oregon and across the country. When expenses rise sharply, owners and operators can be forced into impossible choices: deferring maintenance, cutting resident services, raising rents, or selling properties. Each of these outcomes undermines housing stability for the people whose lives we aim to make better. These challenges represent a **critical state housing need** requiring target intervention.

Oregon Housing and Community Services (OHCS) published a portfolio financial analysis in 2025 for fiscal years 2021-2023, covering 748 properties and more than 47,000 units. The analysis highlights fiscal and structural challenges **demonstrating a statewide need** for coordinated data-driven preservation strategies. A combination of significantly higher operating expenses and actual revenue below what was originally projected has put dozens of projects in jeopardy of foreclosure where affordability restrictions could be permanently lost.

- Operating costs increased by 20% from 2021 to 2023, almost four times what was planned for by the industry. These cost increases are driven by inflation, labor shortages, and insurance premiums. Maintenance costs alone rose by more than 25% from 2021 to 2023, and tax and insurance expenses spiked nearly 17% just in 2023.
- Rental income only grew about 11% over this same time period, nowhere near enough to keep pace with the rising costs of operations. As growth in wages lags other costs of living, tenants who are already stretched thin fall behind on rent. This escalates evictions and leaves owners with rent arrearages that make an already challenging financial balance impossible to sustain.
- Loss of rental income from vacant units nearly doubled over these years. These trends are exacerbated in the Portland, Oregon metro area and reflect operating pressures that have driven decline in market rents, necessitating a downward adjustment on affordable rents, and further challenging operational viability. Additional challenges in tenant referral processes, particularly for coordinated entry system referrals, are reflected in elevated income loss rates at permanent supportive housing properties.

Nonprofit owners are particularly impacted by this crisis. Nonprofit housing organizations are critical stewards of Oregon's affordable rental housing. They develop, own, and manage thousands of subsidized units, often serving the lowest-income households in both urban and rural communities. Their mission-driven properties often serve tenant populations with higher acuity needs, which can result in increased operating costs as well as lower rent collection in times of economic strain. Unlike many for-profit owners, nonprofit organizations do not have other profit centers nor financing reserves sufficient to sustain providing support to their properties for a meaningful duration. Persistent deficits threaten the long-term financial health of nonprofit organizations, reducing their ability to act as reliable partners in meeting the needs of low-income families.

Innovative and replicable strategies to stabilize Oregon's affordable housing portfolio

Oregon's existing subsidized portfolio is at risk due to aging properties, escalating operating costs, and expiring affordability restrictions. Preservation is not simply about keeping units affordable, it is about protecting billions in public investment, preventing systemic housing loss, and stabilizing communities statewide. The **benefits outweigh the costs** as preservation is cheaper than replacing lost affordable units.

Property Stabilization Investments

In the 2025 legislative session, OHCS received $50 million for housing preservation. Given that the need outweighed number of resources available, OHCS needed to balance preservation needs across the state. OHCS expedited an alignment of state preservation resources to allocate $39 million of preservation investments Property Stabilization Investments (PSI). **Effectively employing partnerships**, this strategy was developed in consultation with several lender and owner stakeholder groups. Based on engagement, refined measures for financial risk were developed to better reflect the current market and performance realities for organizations, many of whom have invested substantial organizational resources to support ongoing operations and delay loan delinquency and foreclosure.

PSI launched in October 2025. To date, $39 million has been awarded to 30 projects, preserving a **measurable benefit** of over 2,200 affordable rental homes in Oregon. It is currently fully subscribed, demonstrating a **proven track record** of rapid uptake and an **effective use of limited preservation resources**. The program established a maximum of $2 million per project application.

Recently recognized in the National Housing Trust report, PSI was designed as a fund of last resort to support properties at risk and activate pathways to financial stability. This structure offers a **replicable model** for other HFAs addressing similar financial distress in their affordable housing portfolios. An **innovative and replicable** characteristic of the updated PSI framework is the use of funds to buy down and re-amortize senior lender debt, improving cash flow and strengthening debt service coverage. Additional OHCS resources, including Oregon Affordable Housing Tax Credit (OAHTC) and the Low-Income Housing Tax Credit (LIHTC), may also be layered to support stabilization efforts. While PSI was not intended to fund property rehabilitation, limited use of funds will be permitted for critical repairs or deferred maintenance tied to cash flow challenges, helping bring offline units back into service and restoring income to the property.

Program eligibility was tied to specific financial-distress metrics. The primary purpose of PSI was debt buydown, which requires cooperation from the senior lender to accept funds and re-amortize the loan to reduce monthly payments. Funding levels were based on achieving a debt coverage ratio above 1.15 for at least five years, without raising tenant rents by more than five percent per year, a **measurable tenant benefit**. The application process was streamlined resulting in an average 60-day timeline, **an innovative, efficiency-focused approach**, from a submitted project intake to close.

Asset management and compliance strategies

Additionally, the agency aligned other **strategic investments** and considered how to reduce administrative burden for owners and operators. Recognizing both short term and long-term property performance and portfolio stability requires increased capacity, improved property and asset management expertise. OHCS offered and awarded $2 million for capacity building grants to 13 partners across the state and encouraged the following administrative changes:

- Waitlist requirement: Projects have flexibility with controls and approaches to their waitlist through the Tenant Selection Plan (TSP) adopted by the owner for a property. Properties are empowered to revise their TSP for waitlist management at the property level. Through the TSP, a property can design an approach that works best to support the property's needs in balance with meeting applicable Fair Housing laws for waitlist management. Waivers can support faster lease-up processes when there is a vacant unit. ARH offers technical assistance and training for TSPs to support waitlist management.
- Income verification flexibility would be helpful to lessen the cumbersome impact of these requirements. OHCS does not mandate a single method and follows U.S. Department of Housing and Urban Development (HUD) Housing Opportunity Through Modernization Act (HOTMA) hierarchy, which allows for alternatives such as pay stubs and self-certification. Training on HOTMA standards for property managers is available to reduce confusion.
- Tenant recertifications can be costly, and it is challenging to require full income certification at the first anniversary as well as upon initial move-in. OHCS has changed policy for state programs and LIHTC so that full income certification will only be required at initial move-in, unless it is otherwise required by a federal funding source (including HOME and TBRA). The previous requirement for a full certification at the first anniversary was eliminated, allowing self-certification thereafter for most 100% affordable projects.

Conclusion

OHCS' coordinated, data-driven response to the mounting financial pressures within the state's affordable housing portfolio demonstrates both urgency and **innovation**. Through the launch and full subscription of the Property Stabilization Investments program, strategic alignment of preservation resources, and targeted capacity-building for partners, Oregon has taken meaningful steps to safeguard thousands of affordable homes and protect decades of public investment.

These efforts not only stabilize properties at risk today but also strengthen the long-term resilience of nonprofit owners, enhance asset management practices, and ensure communities across Oregon can rely on safe, stable, and affordable housing for years to come. OHCS' approach **advances the state's strategic objectives** of preservation and reflects a commitment to practical solutions, collaborative problem-solving, and responsible stewardship of limited resources, setting a strong foundation for continued preservation success.