Oregon Harbor of Hope

Homelessness & Affordable Housing

Capstone Project
(Revised Aug. 2, 2018)

Capstone Team: Jessica Chanay, Nishant Desai, Yuxuan Luo, Davaadorj Purvee
Agenda

• An emergency is declared
• Homelessness in Multnomah County
• Economic forces & trends
• Affordable housing crisis worsens
• Market forces alone won’t solve this problem
• Recommendations
2015: Portland Declares State of Emergency

- 1970s & 1980s: A crisis in the making
- 2008: The Great Recession
- 2011 – 2015:
  - Rapidly growing population
  - Income changes among renters
  - Inadequate housing stock
  - High rents & low vacancy rates

Result: Homeless & housing crisis

Photo: Pixabay.com

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PSU Capstone Team: Research Overview

Geographic Focus
1. Multnomah County
2. Portland
3. Metro Region

Research
- Reports, Articles & Videos
- Interviewed 20+ people
- International research

Framework
Stages of Homelessness & Continuum of Housing

Homeless Support
- Prevention
- Emergency Shelters
- Camps
- Shelters

Affordable Housing Support
- Supportive Housing
- Assisted Housing
- SROs
- Rentals: Affordable & Market
- Home Ownership

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Homelessness in Multnomah County

A huge toll on people, communities and pocketbooks
Homelessness in Multnomah County

What we know based on Point in Time, 2017

• Disabling Condition 61%
• Mostly male 60%
• Victims of domestic violence 34%
• Chronically Homeless 31%
• Families with children 16%

Leading factor for homelessness: Lack of affordable housing
Point in Time Count: Many are left out

Those who are uncounted -

• Households doubled-up with family and friends
• Those who were in jail or hospitals during the night of the count
• Immigrants who fear contact with authorities
• Unsheltered who could not be located
• People who transitioned in/out of homelessness between PIT counts
• Homeless who are out of town for work, i.e. “nomads” or “van-dwellers”

Comparison: Homeless Children

**Point in Time Count:**
(February 2017)
**Homeless children (0-17)** 382

**Oregon Dept. of Education:**
(2016-17 School year)
**Homeless children (K-12)** 4,427

**National Law Center estimate:**
Actual number of homeless could be 2.5 to 10.2 times higher than Point-in-Time results.*

*Don’t Count on It report, 2017

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Cost of Homelessness: **Human Impact**

**Children & Youth**
- Move more frequently and change schools more often
- Lose 3 months of reading & math each time they move
- Lose connections with friends, teachers, and mentors
- May become uncomfortable forming attachments
- At risk for “toxic stress”

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**Growth in Homeless Students (K-12)**

**Multnomah County, 2012-2017**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,194</td>
<td>3,797</td>
<td>4,059</td>
<td>4,064</td>
<td>4,427</td>
</tr>
</tbody>
</table>

Source: Oregon Department of Education, Homeless Student Percentages by District

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Photo: Pixabay.com

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Cost of Homelessness: Human Impact

Unsheltered Adults

- Difficult to get enough nutritious food, sleep, and medicine
- Higher rates of illnesses such as tuberculosis, asthma & diabetes

Unsheltered in Multnomah County*:

- Disabling condition: 72%
- Mental illness: 45%
- Physical disabilities: 38%
- Substance abuse disorder: 38%

Homeless Deaths in Portland 2011-2016

Source: Multnomah County Domicile Unknown reports, 2011-2016

*PSU Point in Time report, 2017

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Cost of Homelessness: Community Livability

- Homeless often travel with all their belongings
- Lack regular access to bathrooms or garbage receptacles
- Buckman and Montavilla neighborhood petition
- Clean & Safe program for downtown
- 2016 survey: Portlanders feel less safe downtown
- November 2017, Columbia Sportswear considered closing downtown office

Photo: Flickr.com
Revised August 2, 2018
## Cost of Homelessness: $ Dollars

<table>
<thead>
<tr>
<th>Cost Models</th>
<th>Cost Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phil Mangano “Homelessness Czar”</td>
<td>$35,000-$150,000 per person, per year</td>
</tr>
<tr>
<td>Culhane Study, New York City (2002)</td>
<td>$35,000 per person, per year (average)</td>
</tr>
<tr>
<td>Washington County, OR (NERC, 2012)</td>
<td>$10,000-$40,000 per person, per year</td>
</tr>
<tr>
<td>Puget Sound Business Journal (2017)</td>
<td>$3 billion per year in Puget Sound</td>
</tr>
<tr>
<td>Santa Clara County, CA (2007-2012)</td>
<td>$3 billion over 5-year period</td>
</tr>
<tr>
<td>State of Homelessness in Canada (2013)</td>
<td>$7 billion per year in Canada</td>
</tr>
</tbody>
</table>

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Economic Forces & Trends

Families struggle to make ends meet
Job Polarization and Disparity

- Faster recovery of high and low-wage jobs
- Middle wage jobs recovering at a slower pace
# Hourly Wages: Top 10 Largest Occupations

### Portland-Vancouver-Hillsboro, OR-WA MSA. 2017

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Median Wage</th>
<th>Job Count May 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered Nurses</td>
<td>$44.45</td>
<td>22,690</td>
</tr>
<tr>
<td>General &amp; Operational Managers</td>
<td>$44.29</td>
<td>21,130</td>
</tr>
<tr>
<td>Median Wage of All Occupations</td>
<td>$20.35</td>
<td>1,133,350</td>
</tr>
<tr>
<td>Secretaries &amp; Admin. Assistants</td>
<td>$18.69</td>
<td>15,880</td>
</tr>
<tr>
<td>Customer Service Rep.</td>
<td>$17.19</td>
<td>19,150</td>
</tr>
<tr>
<td>Officer Clerks, General</td>
<td>$17.10</td>
<td>20,200</td>
</tr>
<tr>
<td>Laborers &amp; Material Movers</td>
<td>$13.90</td>
<td>15,000</td>
</tr>
<tr>
<td>Retail Salespersons</td>
<td>$12.26</td>
<td>35,690</td>
</tr>
<tr>
<td>Cashiers</td>
<td>$11.54</td>
<td>25,730</td>
</tr>
<tr>
<td>Food Prep &amp; Service</td>
<td>$11.09</td>
<td>22,340</td>
</tr>
<tr>
<td>Waitstaff</td>
<td>$11.00</td>
<td>19,340</td>
</tr>
</tbody>
</table>

*Self-Sufficiency Wage for One Adult, One Preschooler & One School-age Child: Multnomah County, OR 2017

Source: The Self-Sufficiency Standard for Oregon, 2017

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Oregon:

- **High Risk:** 93% of jobs in Food Preparation and Service-related industries
- Loss of low-wage jobs could contribute to housing insecurity

### Automation: Future Impact on Low-Wage Jobs

<table>
<thead>
<tr>
<th>Industry</th>
<th>Jobs 2018</th>
<th>Jobs 2028</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation/Food Services</td>
<td>144,200</td>
<td>141,600</td>
</tr>
<tr>
<td>Retail Trade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>91,100</td>
<td></td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>67,680</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>50,880</td>
<td></td>
</tr>
<tr>
<td>Admin., Waster Mgmt./Remediation</td>
<td>43,730</td>
<td></td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>39,430</td>
<td></td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>39,420</td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>33,360</td>
<td></td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>28,670</td>
<td></td>
</tr>
<tr>
<td>Professional/Technical Services</td>
<td>27,420</td>
<td></td>
</tr>
<tr>
<td>Other Services</td>
<td>21,000</td>
<td></td>
</tr>
<tr>
<td>Educational Services</td>
<td>20,260</td>
<td></td>
</tr>
<tr>
<td>Arts, Entertainment and Recreation</td>
<td>10,980</td>
<td></td>
</tr>
</tbody>
</table>

Source: Portland Business Alliance & ECONorthwest: Automation and the Future of Work

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Affordable Housing Crisis Worsens

Portland in a Housing Trilemma
In-Migration to Multnomah County

Population Growth:

- High net in-migration
- Another 137,000 people expected by 2035*

Result:

- More people competing for limited housing

*Growth estimates: 2017 - 2035
Source: PSU Population Research Center, Mar. 31, 2017

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Renter Households Changing

**Renter Households:**
- More people renting than owning
- High growth among $75,000+/yr. households
- Income growth faster in Portland than Metro area

**Result:**
- Higher income households can afford to pay more for housing
- Landlords can charge more for rent

### Growth in Renter Households
**Portland, 2010 - 2015**

<table>
<thead>
<tr>
<th>Category</th>
<th>Portland</th>
<th>Metro</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner Households</td>
<td>-0.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renter Households</td>
<td>9.6%</td>
<td></td>
<td>9.6%</td>
</tr>
</tbody>
</table>

### Change in Annual Income
**Among New Renter Households**
**Portland, 2011 - 2015**

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Portland</th>
<th>Metro</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $25,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$25,000 - $49,999</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$50,000 - $74,999</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$75,000 - $99,999</td>
<td>19.9%</td>
<td>63.9%</td>
<td>44.0%</td>
</tr>
<tr>
<td>More than $100,000</td>
<td>101.8%</td>
<td></td>
<td>38.3%</td>
</tr>
</tbody>
</table>

Source: Portland State University Preserving Housing Choice Report, 2017 (both charts).
Housing Construction Supply Lagging

Portland Housing Stock Annual Unit Production 2000 - 2016

Source: Multnomah County, Portland Tax Lot Data, 2016, as shown in the State of Housing in Portland report, 2017

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Rent Increases & Low Vacancy Rates

Rent Increases: 20% - 50% over 7 Years

Low Vacancy rates: Under 5% for 8 years

Median Rental Prices for Vacant Units
Multnomah County, 2011-2018

Source: Data acquired by Zillow.com/data on July 22, 2018

Metro Area Vacancy Rates
2009 - 2018

Source: Multifamily Northwest
Rent Affordability in Portland

High Rent/Low Wages
• Households earning under 80% AMI cannot afford 1, 2, or 3-bedroom units without becoming “housing burdened.”
• The gap is highest for those earning 50% AMI and below.

AMI: HUD Monthly Maximum Rent at 30% Housing Burden, 2017  

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Affordable Housing Shortfall

Need for Affordable Housing:

- Supply is not meeting demand for families under 50% AMI
- Shortfall of 29,000 units in Multnomah county
- Thousands of households are rent burdened

Source: Metro: You Are Here, A Snapshot of Greater Portland’s Need for Affordable Housing, 2018
Adapted from Comprehensive Affordable Housing Strategy, 2010-2014
*50% AMI (based on 2011 – 2015 figures)

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Requests for Help

Housing Assistance Requests:
10,000+ calls for housing assistance in Multnomah County between Jan.-Mar. 2018:

- Rent assistance
- Affordable housing
- Emergency shelter support

Source: Oregon 211info, Quarterly Reports 2016-2018

Housing Assistance Requests
Multnomah County
2016 – 2018

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>Q3</td>
<td>11,850</td>
<td>14,528</td>
<td>10,775</td>
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<tr>
<td>Q4</td>
<td>6,397</td>
<td>12,326</td>
<td>10,773</td>
</tr>
<tr>
<td>Q1</td>
<td>12,326</td>
<td>11,779</td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td>11,779</td>
<td>10,775</td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td>11,775</td>
<td>10,773</td>
<td></td>
</tr>
</tbody>
</table>

Source: Oregon 211info, Quarterly Reports 2016 - 2018

Photo: Pixabay.com

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People of Color:

- More likely to rent
- Less likely to earn high wages
- More likely to be cost-burdened
- People of Color disproportionately affected by the housing crisis

Renters vs. Homeowners
Multnomah County, 2015


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**Gentrification & People of Color**

**People of Color:**
- Displaced from traditional neighborhoods
- Move to find cheaper housing
- Increased poverty & segregation
- North/Northeast Affordable Housing Strategy

*Source: Oregon Metro: You Are Here: A Snapshot of Portland Area Housing Costs, 2016*
Baby Boomers & Retirees

Baby Boomers*
(Aged 54 – 72 in 2018)
- 10,000 reach 65 every day in the U.S.
- Many have no assets or children for support
- 33% rely on SSA for 90% of their income
- Average SSA benefit: $1,404/mo.
- Second half of boomers at increased risk of homelessness (born 1955 – 1964)

Population Growth
- Additional 88,260 people 50+ between 2017-2035

Source:
Portland State University, Population Research Center, July 1, 2017
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Many on SSI are Cost-Burdened:

- Supplemental Security Income (SSI) is the primary income for 14,907 people in Multnomah County
- Maximum SSI benefit for an individual: $735 in 2017
- Housing Choice Vouchers (Section 8) are critical for housing affordability

![Maximum Monthly SSI Benefits for Individuals](chart)

Source: Social Security Administration, SSI Federal Payment Amounts

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Addressing the Housing Shortfall

Four Time Scenarios
Goal = 29,000 Units in Multnomah Co.

Scenario 4  2025  3,600 Units per year = $1 billion/year
Scenario 3  2028  2,700 Units per year = $770 Million/year
Scenario 2  2033  1,800 Units per year = $512 million/year
Scenario 1  2050  900 Units per year = $256 million/year

Limitations:
This model does not consider the need for future units of affordable housing.
Unit cost is based on an average for 2018.
Inflation has not been incorporated.
Market Forces Alone Won’t Solve this Problem

Affordable housing: The supply side
Differing & Competing Interests

Government
- Serve the public
- Balance various perspectives
- Goal alignment
- Maximize limited resources

Private Developers
- Maximize income potential
- Reduce risk
- Do well and do good

Landlords
- Cover costs
- Rent to stable tenants
- Maximize income potential

Renters
- Livable Wage
- Affordable rent
- Safe and stable housing
- Good location

Nonprofits
- Fulfill mission
- Support residents
- Break even
- Stay afloat

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Affordable Housing Development Challenges

Balancing Act

Revenue
- Monthly Rent for 2-bed
  - 80% AMI = $1,345
  - 60% AMI = $1,009
  - 50% AMI = $841
  - 30% AMI = $504
  - Fair Market = $1,599

Costs
- Construction
  - Built for 60 years?
- Land
  - Can it be donated?
- Labor
  - Prevailing Wages?

Financing
- Debt
  - Loan amount?
- Equity
  - Return on investment?
- Public Funding
  - Soft & hard costs?

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Case Study: An Affordable Housing Project

**Characteristics of the Project:**
- Target: Household income <60% AMI
- Unsubsidized project
- Low cost per unit ($88,900)

**Cost-effectiveness achieved by:**
- Absence of land (10% of total project cost)
- SDC exemption (17% of total project cost)
- Costs inherent in public funding avoided
- Low Interest Rate (4%)
- Direct materials sourcing
# Case Study: Profitability and Return Analysis

<table>
<thead>
<tr>
<th>Operating Year</th>
<th>0</th>
<th>1</th>
<th>10</th>
<th>10</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inflation Year</strong></td>
<td>0</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td><strong>Net Cash Flow</strong></td>
<td>$70,636</td>
<td>$298,889</td>
<td>$298,889</td>
<td>$298,889</td>
<td></td>
</tr>
<tr>
<td><strong>Initial Equity Investment</strong></td>
<td>(3,950,656.20)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sales Price @ 8 % Cap Rate</strong></td>
<td></td>
<td>$12,938,905</td>
<td>$12,938,905</td>
<td>$12,938,905</td>
<td></td>
</tr>
<tr>
<td><strong>Loan Balance at Sale</strong></td>
<td></td>
<td>-$5,501,549</td>
<td>-$5,501,549</td>
<td>-$5,501,549</td>
<td></td>
</tr>
<tr>
<td><strong>Selling Commission @ 2.5 %</strong></td>
<td></td>
<td>-$323,473</td>
<td>-$323,473</td>
<td>-$323,473</td>
<td></td>
</tr>
<tr>
<td><strong>Net Sales Proceeds</strong></td>
<td></td>
<td>$7,113,884</td>
<td>$7,113,884</td>
<td>$7,113,884</td>
<td>$7,113,884</td>
</tr>
<tr>
<td><strong>SDC refund</strong></td>
<td></td>
<td></td>
<td>-$3,404,562</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Land Cost</strong></td>
<td></td>
<td>-$1,278,510</td>
<td>-$1,278,510</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Cash Flow</strong></td>
<td>$70,636</td>
<td>$7,412,773</td>
<td>$7,412,773</td>
<td>$4,008,211</td>
<td></td>
</tr>
<tr>
<td><strong>Investor IRR</strong></td>
<td>9.3%</td>
<td>5.96%</td>
<td>0.59%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Next Steps:

Recommendations
Recommendation

Affordable Housing Investments & Regulatory Reform

- Private developers: 60%-80% AMI
- Government and Nonprofit developers: 30% - 50% AMI:
- Government Support:
  - Simplify application for funds
  - Support for land purchases
  - Balance cost containment with non-housing social goals
Recommendation

Improve the Count of Homeless People and Include Projections

Benefits:
- Better understanding of how many are homeless on a regular basis
- More accurate demographic profiles
- More targeted allocations of limited resources
- More equitable and efficient service delivery
- Better information about what is working
- Homeless projections into the future
Cost Estimates of Homelessness in Multnomah County

Benefits:
- Understand cost savings of prevention efforts
- More conscious choices about limited dollars
- Identify who is costing the most and why
- Better coordination of services
- Quantify how much is being spent on health care and law enforcement
- Project estimated costs into the future

Estimated Costs of Homelessness based on 2013 Canadian Study*

*Monthly cost comparison of housing someone in jail, hospitals, or the shelter system compared to supportive or social (affordable) housing:

Source: Homeless Hub, Cost Analysis of Homelessness

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Recommendation

Home-Sharing Promotion & Outreach

- Target: Retirees/baby boomers
- Supports aging in place
- Support density goals

Local Examples:
- Let’s Share Housing
- Ecumenical Ministries

Trulia Analysis

Home Sharing Portland MSA

Number of spare bedrooms 42,511
Estimated Rent for spare room $664
Annual savings for renters $7,568
Annual income for homeowners $7,972

Source: Trulia Analysis of Portland Metropolitan Statistical Area, 2017

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Thank You

Questions?