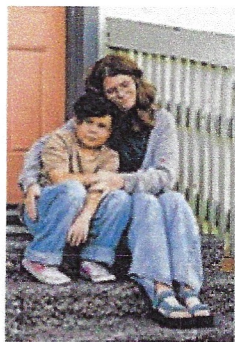


image



Ruth Haddox gave up waiting for a subsidized unit. RANA YOUNG FOR WSJ

All Housing Is Affordable Housing in Portland

BY REBECCA PICCIOTTO

PORTLAND, Ore.—The rental market here is so depressed that something almost unthinkable is now common: Six-figure earners are paying some of the same rents as lower-income residents who qualify for subsidized housing.

Market rents in Portland have stagnated at the same time that rent limits for government- subsidized affordable apartments have risen. That means rents for affordable housing are growing faster than the prices for market-rate apartments. Rarely has the city seen such a narrow price gap between market-rate and affordable units. *Note*

The trend has produced unexpected outcomes for lower-income renters like Ruth Haddox. She spent months sleeping on her sister's couch last year before putting her name on an affordable-housing wait list. A single mother with three children and no job at the time, she expected to be a shoo-in for a low-income apartment.

Weeks went by, then months. More than a year later, Haddox has a new job at a doughnut shop and is renting a \$1,600 three-bedroom home that she found on an apartment listings site.

The rent isn't capped but it is around the price of some of the city's subsidized apartments. The average rent of an income-restricted three-bedroom in the Portland metropolitan area hovers around \$1,800, according to Yardi Matrix. Haddox's new place didn't require months of paperwork or administrative bottlenecks. She applied and moved within a week. "I couldn't wait anymore," Haddox said. "This was way easier because the market had gone down." *Note*

Portland's rental market stalled out in recent years as an oversupply of new housing collided with an economic slump. It is an astounding turn for a city once known as rapidly growing and notoriously unaffordable.

Now, Portland is experiencing housing competition, where higher-end apartments vie for some of the same tenants as income-restricted units.

Often, those renters would rather upgrade to market-rate units with gyms and pools than wait around for the rent-regulated option. About 40% of Portland's market-rate housing supply competes with affordable units, meaning that their prices are within 15% of each other, a Yardi Matrix report found in July.

The figure is similar or even higher in a few other big cities, including Washington, D.C., Seattle and Austin, Texas. In these areas, a glut of apartment construction leftover from the pandemic has helped push down market rents. Meanwhile, affordable-housing landlords have been able to raise their rents because the federal government's estimates of the median income in their area skew higher.

Affordable-housing providers say the phenomenon is temporary. Portland's market rents are expected to rebound as apartment supply tightens again. When that happens, affordable units should get their discount back.

Meanwhile, the financial pressures are eroding a prized segment of the city's housing stock. About 2,200 income-restricted apartments, or 8.3% of the city's affordable housing stock, are sitting empty, according to CoStar. It is the highest rate since 2000 when the firm started tracking.

Portland's affordable-housing sector was already stressed. Owners are dealing with rising costs for insurance, utilities and mortgage payments. But they also have higher rates of tenants who are behind on rent. As Portland's downtown declined and crime rose, some owners say they have spent tens of thousands of dollars a month for private security.

"We've all been struggling for years," said Sarah Stevenson, executive director at the nonprofit affordable housing provider Innovative Housing. The nonprofit is keeping up with its mortgage payments, but it is in violation of certain loan covenants on multiple properties. The group cut 30% of its staff this year and is planning to sell some buildings.

Lenders "could foreclose," Stevenson said. "But they won't because I don't think they want the properties."

The distress in the affordable-housing sector is raising pressure on a city that has been in a self-declared housing emergency for more than a decade and that has devoted hundreds of millions of public dollars to building income-restricted apartments.

In June, Mayor Keith Wilson sent a letter to the City Council warning that the city's affordable-housing portfolio was on the brink of "financial insolvency" and that "major housing assets may cease operations in as little as six months."

The following is a digital replica of content from the print newspaper and is intended for the personal use of our members. For commercial reproduction or distribution of Dow Jones printed content, contact: Dow Jones Reprints & Licensing at (800) 843-0008 or visit djreprints.com.
