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HOUSING INSIGHTS

# Rental Assistance in Oregon: The New ERA

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Throughout the pandemic, housing programs nationwide have faced many challenges while attempting to deliver federal, state and local rental relief funds. Regional politics, as well as the logistical hurdles of processing thousands of applications, are two of the main challenges. Much of the funding allocated to Oregon is exhausted, and we're now entering a new phase of rental assistance.

With COVID-19 and geopolitics creating uncertainty in financial markets, we're left wondering what the next 24 months will look like for the state of Oregon. This Quarterly article will reflect on the past two years, the current issues we face, and what can be done to ensure financial stability for both housing providers and tenants.

### **A LOOK AT THE PAST 24 MONTHS**

Under the CARES Act of March 2020, Oregon was granted \$204 million in Federal Emergency Rental Assistance (referred to as "ERA 1"). These funds were part of a nationwide plan to deliver relief to struggling renters who were experiencing financial hardship because of the pandemic. In December 2020, Oregon passed House Bill 4401 which arranged \$150 million to be distributed by Oregon Housing and Community Services ("OHCS") through the Landlord Compensation Fund ("LCF").

The two major sources of rent relief funding were accessible in different ways. Federal ERA 1 funds were to be applied for by tenants on their own behalf, with help from localized Community Action Agencies ("CAAs"). The LCF differed in the fact that funds could be applied for directly by a housing provider, and implementation of the LCF was designed to alleviate some of the administrative burden being cast on already strained tenants. However, faced with the choice between using one funding source or the other, many housing providers preferred to take advantage of the ERA 1 program due to the lackluster terms of repayment in the initial release of the LCF (only \$0.80 on the dollar).

A testament to the lack of desirability felt among housing providers, the first round of LCF funding earmarked only \$40 million for distribution, which is 20% less than of the projected demand. In June 2021, Senate Bill 278 updated the distribution terms of the LCF. The most notable change was an increase to 100% of uncollectible rent to be covered (and a retrospective adjustment

applied to those previously awarded funds through the program). With a boost in popularity resulting from these changes, all \$150 million in the LCF was allocated and distributed by the end of 2021.

The Oregon Emergency Rental Assistance Program (“OERAP”), which distributes the Federal ERA 1 funding, suffered significant logistical challenges in processing applications and distributing funds in a timely manner. After initializing in early 2020, nearly 18 months later in August 2021, only \$8 million (4.37%) of the total \$183 million that was applied for had been delivered to tenants. This extreme slowdown was blamed on many issues, including software malfunctions caused by the Allita 360 system in place – as well as the decentralized approach of using local CAAs to gather and process applications. These local agencies did not have the staff capacity to handle such an enormous volume of applications, and the decentralized nature of each office caused inconsistencies and inefficiency in processing power. In addition to the slow pace of dispersal, during 2021 OHCS reportedly sent out hundreds of “bad checks” due to an accounting error in applying routing numbers.

## **A LOOK AT THE PRESENT**

After such a painfully slow start, a few key changes helped get things back on track. During 2021, the U.S. Treasury issued a statement that any state deemed unable or unwilling to obligate or pay out at least 65% of their federally allocated funds by September 30, 2021 would potentially become ineligible for subsequent rounds of rental assistance funding. At the time, nearly all states had yet to surpass this threshold, and this authoritative “threat” inspired a renewed sense of urgency. By the end of the year, Oregon was reportedly among the top five states in the nation in terms of funds allocated and distributed, with nearly all its remaining ERA 1 assistance depleted. The major difference in pace was made up through the introduction of Public Partnerships, LLC, a third party specializing in processing assistance applications. With dozens of extra hands now onboard, the OERAP program has been able to issue nearly \$2 million each day in assistance payments.

On December 13, 2021 Oregon lawmakers held a special legislative session which discussed the status of the emergency rental assistance programs and the looming

threat of eviction for many tenants due to nonpayment. Key outcomes achieved by this meeting included the passing of Senate Bill 5561, which authorized an additional round of funding, consisting of \$100 million in new rental assistance. The bill also granted OHCS \$5 million to help facilitate a quicker turnaround time for processing, and an additional \$10 million for the recently created Landlord Guarantee Program (“LGP”). The LGP is a much smaller source of assistance that was specially formed in response to the lagging distribution of funds from the OERAP program.

Senate Bill 278 introduced a 60-day “safe harbor” clause. This protected tenants who submitted an application for assistance from being evicted due to nonpayment. However, after 60 days passed (90 days in Multnomah County), many residents and housing providers did not receive any assistance. Coupled with the end of the nationwide eviction moratorium, this delay put tenants at risk of being evicted at no fault of their own. In order to ease this situation, the LGP (administered through Home Forward) would send qualified housing providers up to 60 days of rent to help bridge the gap and prevent eviction. The December 13th special legislative session produced Senate Bill 891, which eliminated this 60-day safe harbor clause altogether, and extended tenant eviction protections throughout the duration of their wait for funds, or at the longest, September 30, 2022.

## **THE NEW ERA**

Currently, we are entering a new phase of rental assistance funding, ushered in by newly appointed state allocations and the promise of federally-backed American Rescue Plan Act funding (“ERA 2”). These sources will provide \$156 million for the state of Oregon, which is to be distributed by September 2025. At the beginning of 2022, OHCS curiously put a pause on the collection of new rental assistance applications for nearly a month, citing the need to “catch-up” on several backlogged commitments, as well as anticipating the exhaustion of all remaining funds on hand. The web portal reopened on January 26, 2022 with access to the new sources of relief funds. It utilizes the improved centralized approach that I covered in detail in the Fall 2021 Quarterly.

In mid-January 2022, President Biden tapped director Margaret Salazar of OHCS to be the new regional HUD administrator for the northwest region (covering Alaska, Idaho, Oregon, and Washington.) Salazar’s final day with

OHCS was on February 4th, which concluded a five-year term. Her replacement Andrea Bell will likely face immediate challenges as the newly acting agency leader. With Salazar's departure also came the news of an official audit of the state's rental assistance program conducted by the Secretary of State, as urged by many lawmakers due to the disorganization and issues with processing and funding applications. An official audit plan is expected to be drafted during the second week of February and will be released to the public soon after.

For those who have been most affected by the pandemic, paying rent has been a financial burden. Initially, the system of distribution for rental assistance broke down, causing severe backlogs. With the new phase of ERA coming soon, renters and property owners should be increasingly optimistic.

## RESOURCES

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