



Affordability and Wealth Creation Content Committee

Committee Charge

Affordability is one of the greatest barriers to increasing minority homeownership. Multiple strategies for addressing the affordability gap and to support wealth creation have been, and are being implemented in Portland. As we craft the strategic plan to eliminate Portland's minority homeownership gap, it is appropriate that we evaluate these strategies and make appropriate adjustments and additions to achieve our goal.

Below are some key questions the answers to which will help evaluate existing and new homeownership programs and strategies.

- What are we **really** trying to accomplish through wealth creation.
- What is the desired outcome of public investment in homeownership? (Is it to maximize individual wealth creation/asset accumulation or create long-term affordable housing units that serve many people over time?)
- How do we ensure access to wealth once created without the need to sell the asset?
- What income and employment strategies could impact homeownership goals?

The charge of the Affordability and Wealth Creation Content Committee is to develop prioritized strategies recommendations, with an estimate of the resources needed to implement each strategy and to identify an "owner" of each strategy that will move it towards implementation.

The Challenge

Ownership affordability

Obtaining affordable homeownership in Portland is becoming a greater challenge for low, moderate and increasingly middle income households to achieve. The housing market in Portland has appreciated considerably over the past 10 years. Partly spurred by historically low interest rates, the median homes sales price has increased by 92 percent – an average of 9 percent annually – from \$128,000 in 1995 to \$245,800 in January 2006.

In contrast, the median income in the Portland area has only increased by 59 percent over the last 10 years—\$42,700 in 1995 to \$66,900 in 2006. And median incomes for all races are not equal. Based upon the 2000 census, white families in Portland earned 114 percent of the overall family median income for a family of four. Black families earned 67 percent and Hispanic and Asian families earned 64 and 96 percent respectively. Lower family incomes results in reduce buying power.

Wealth Creation

Two of the most important factors of economic status in the United States are income and net wealth. When considered alone, income provides an incomplete picture of a household's

economic well-being. Only when wealth is also considered, does a better understanding of economic health emerge. People with access to wealth are better able to achieve homeownership. To compete in the housing markets, the less wealthy must take out larger home mortgages and devote larger shares of their income to pay for comparable housing.

At the same time, homeownership is a key driver to wealth creation. Home equity constituted the largest share of household net worth, accounting for 32.3 percent. This form of wealth is a key source of financial security in a majority of American households. Homeowners tap their equity routinely to pay for a variety of costs including bill consolidation, home improvement, medical emergencies, college education, and increasingly as a source of income during old age.

City Policy

In 1996 and 1997, the City and PDC adopted policies that required that subsidy investments in homeownership have either a retention mechanism (long-term affordability for the unit with no expected return of or on the subsidy dollars invested) or a recapture mechanism (which required both a return *of* the subsidy investment and a return *on* the subsidy investment).

Since then, the housing market has changed and so too have the theories about how to help families move up and out of poverty. These new theories are resulting in a shift away from old “income support” strategies to new “wealth creation” strategies with homeownership at center stage.