

STATE HOUSING COUNCIL



LIFT PROGRAM

FINANCIAL STRUCTURING SUBCOMMITTEE

MEETING #1

SEPTEMBER 17, 2015

Oregon Housing and Community Services

Welcome



- Introductions
- Overview

Today's Goal: Financial Structuring Sub-committee members will understand the intent of the Legislature and the Governor with the creation of the LIFT Housing Program as well as the role and function of this sub-committee, and begin to tackle key strategic questions about the program.

Priority: New Housing for Families with Children



Specifically:

- Families in the child welfare and self-sufficiency system working with DHS towards reunification and stability;
- Communities of color, for whom incidence of homelessness, poverty and housing instability are disproportionately high; and
- Small rural communities (less than 25,000 population) left behind by the economic recovery.

Background Materials



- Financial Structuring Sub-Committee one page background
- Legislative Materials
- Department of Justice XI-Q Bond memo
- Financial Structuring Sub-Committee Charter

Recent Trends



- As of 2014, Oregon was the 13th fastest growing state in the country.
- Housing markets are tightening all across the state, and rental vacancy rates in particular are very low. This has driven rents up.
- Job growth and incomes have remained stagnant, with most new job growth limited to low wage sectors
- Federal resources for housing assistance are declining, putting more pressure on states to ensure residents are stably housed.

Housing Affordability



- The National Low Income Housing Coalition determined that in Oregon, someone would need to earn \$16.61 per hour to afford a two-bedroom apartment at average rents (\$864 per month).
- More than one in four Oregonians pay more than 50% of their income towards rent, and one in two pay more than 30% of their income towards rent.

Need: Shortage of affordable housing



131,000 renter households in Oregon are considered “Extremely Low Income”



There are only 53,000 rental units affordable to those households



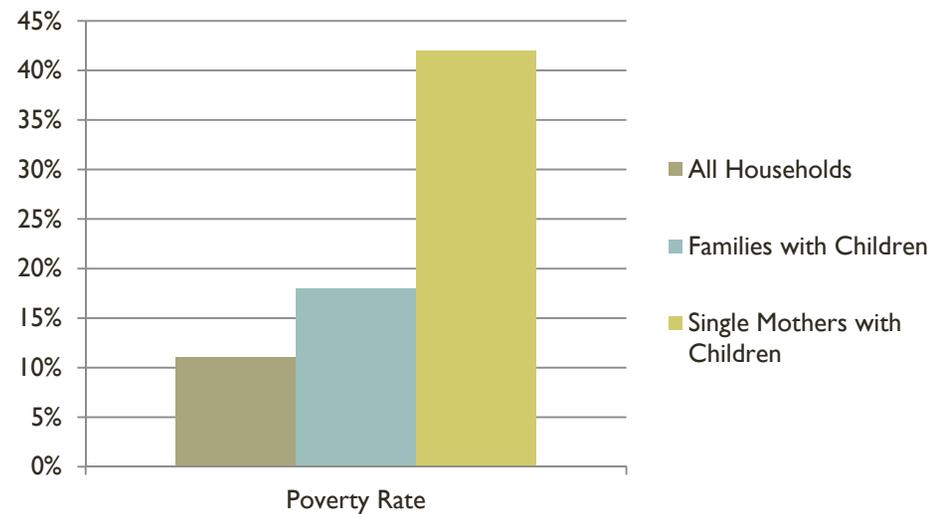
Only one in four eligible households receive a federal housing subsidy nationwide



Family Housing Need



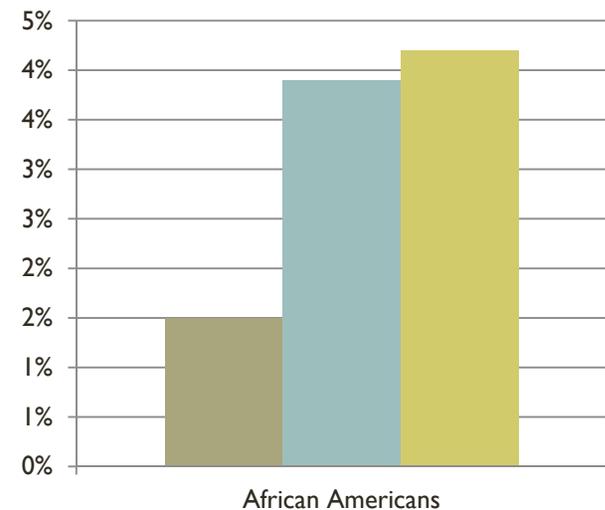
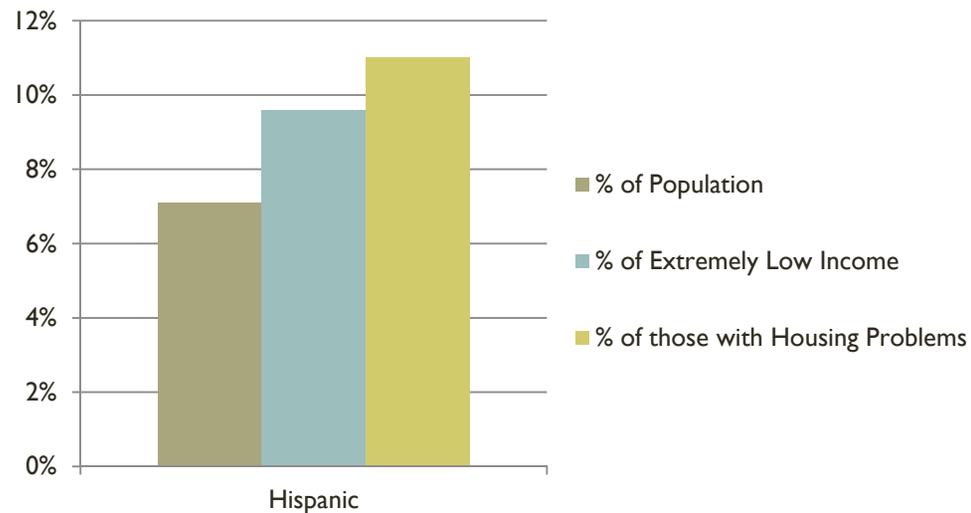
- Severe Housing Burdens:
 - Three in four (77%) extremely low income families with children spend more than half of their income on housing
- Lower Incomes:
 - 43% of families with children considered low income
 - Over-represented in poverty populations



Communities of Color



- Over represented among those with housing problems and extremely low incomes



Rural Housing Issues



- Both housing and wages are lower in rural Oregon
 - \$14.48/hour income required for a 2 bedroom apartment
 - HUD AMI lower in rural Oregon
- Higher transportation costs
 - Longer distance traveled to work
- Substandard Housing
 - Challenges finding housing to use vouchers
 - Old or deteriorated housing stock

DHS – Child Welfare & Self Sufficiency families



DHS provides direct services to more than 1 million Oregonians every year, including:

- Child welfare serves 6,450 children served in their homes and a daily average of 7,800 children in foster care;
- Child welfare provides assistance with housing through temporary housing and housing assistance payments;
- Over 10,000 children and adults received housing assistance through child welfare last year;
- Self sufficiency serves more than 750,000 people through food, cash, and child care assistance programs;
- In August 2015, DHS served 25,849 families with Temporary Assistance.

DHS:TANF Client Housing Needs

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2014 TANF Client Focus Groups

“Participants also described housing programs as essential to finding stability. Many participants conveyed how TANF simply does not cover the cost of rent, which makes housing assistance a necessity.”

TANF families with housing assistance

Month	Public Housing	Rent Subsidy	No Housing Subsidy	Total
Sept. 2014	1,434	1,874	18,311	21,619

Charter Deliverables



1. Identify ownership structures, including fee simple and leasehold interests, including identifying the best role for OHCS, and methods for structuring partnerships with private sector actors.
2. Simplify real estate development and investment approaches, identifying which approaches are most advantageous in rural and metro areas of the state.
3. Define the range of eligible projects that should be supported and propose solicitation methodologies.
4. Identify risks to OHCS and outline risk mitigation options.
5. Define project operating expectations and appropriate level of on-going operating oversight.
6. Identify the level, frequency, and character of ongoing compliance monitoring.
7. Assess other program financial structure guidance that could result in administrative rules or inform agreements and ongoing monitoring.

Constraints and Outstanding Questions



- Review high-level constraints related to
 - HB 2198
 - DOJ findings on XI-Q bonds
 - ✦ Ownership interest required; Limited Liability structure is not allowable
- Discuss key outstanding strategic and operational questions this group should address
 - Core strategic questions around ownership / investment and project / site identification will be discussed today

Breakdown of Key Issues

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Our Focus Today

Strategic

- Ownership structures
- Investment
- Project eligibility

Discuss in Sessions 2 & 3

Operational

- Risk mitigation
- Simplification of administrative/regulatory paperwork,
- Operating requirements
- Compliance monitoring

Ownership and Investment



- What are the most significant risks associated with holding an ownership interest?
- Given the risks, what is the ideal role of OHCS in the ownership structure?
 - Several options were identified as ways of accomplishing the bond requirements:
 - ✦ Fee simple interest - 100% land or project, or condominium
 - ✦ Leased fee interest - 100% or some portion of the project
 - ✦ Tenancy in common for which the state's or departments interest in the property is proportionate to the contribution of the state or department to the property's purchase price
- What should be on the “menu” of ownership options?
- How can private sector partnerships be structured?

BREAK



Project Eligibility



- What types of projects should be considered in scope / out of scope?
 - Identified project types
 - ✦ Manufactured housing
 - ✦ Modular construction
 - ✦ Tiny houses
 - ✦ Small / Mid-sized / Large scale new construction multifamily projects
 - ✦ Acquisition of small scale market rate multifamily project, owned by a private entity, which has been well maintained and needs very little if any recapitalization.
- What limitations might a cap per unit place on project opportunities?
- Should different strategies be used for specific market areas, such as rural vs urban?
- What guidance does the Financial Structuring Subcommittee need from the Policy Subcommittee to advance project/site identification discussion?

Wrap-up and Next Steps



- Recap of ideas, key questions and outstanding data points from session
- Assign accountability for research / analysis related to outstanding question
- Review any Subcommittee member “homework” for next meeting (October 15)