# Housing Council Update

## Funding Resources Project

*January 11, 2013*

Oregon
Housing and Community Services
www.ohcs.oregon.gov

# Overview

- Changing from **one** Consolidated Funding Cycle (CFC) to a **series** of Notices of Funding Availability (NOFA).
- The NOFA aims to simplify and focus the funding process, creating **equity** and **consistency**.
- The overall NOFA policy is **multi-disciplined** and **collaborative**, requiring input from both OHCS staff and stakeholders.
- No recommendations are being proposed at this time, more input is being sought.

# Updated Project Schedule

**- Recommending an additional month of development -**

**February**

- ❑ Continue to beta-test recommendations with external partners
- ❑ Complete the integration of processes and policies into QAP

**March**

- ❑ Present the complete QAP and related approvals to Housing Council
- ❑ Present the revised QAP in Public Hearing for comment, begin 30-day waiting period

**April**

- ❑ Complete 30-day waiting period
- ❑ Deliver to Governor
- ❑ Begin 30-day waiting period

**May**

- ❑ Complete 30-day waiting period.
- ❑ Receive completed QAP
- ❑ Prepare first NOFA for release

# Needs and Allocation Summary

- Presented in December 2012 -

- Need measured by:
  - % of renters below 60% of county median
  - % of renters paying more than 50% of their income in rent
- Evaluated by city & county, rolled up by region
  - using State Regional Solutions Team definition of region
- Compared to % of units funded in the past
- Under-allocated cities and counties are prioritized
  - the cities or counties are included on a priority list which enables projects in that community to apply even if they don't meet any of the other three policy objectives.
  - their region receives slightly higher target allocation

# Questions stemming from last presentation

- Wait for the anticipated April bond sale to plan NOFA timing & allocations?
- Separate NOFAs for project types or separate score sheets?
- Distribution of funds between NOFAs or project types
- Process and rationale for moving funds between regions

# Best Practices

- Debt Service Coverage (Revise from 1.10 to 1.15)
- Vacancy Factor (Revise from 5% to 7%)
- Max Cost/Unit **Guideline** (Considering $200,000/unit)
- Developer Fee: More discussion needed

# Application Scoring Process

1. Administrative Review
2. Four Qualifying Tests
3. Minimum Threshold Qualifications
4. Competitive Scoring

# Administrative Review

- Application submitted by due date/time
- Application form completed including exhibits
- Environmental site checklist completed by RAD
- Check for zoning verification
- Check for application fees

# Four Qualifying Tests

- Must meet at least one to apply:
  - Preserving an expiring federal subsidy (Big P Preservation)
  - Projects with significant resource investments from others
  - Projects that meet multiple State or regional priorities
  - Serving an area that is a geographic priority

# Minimum Threshold Qualifications

- Asset Management Compliance
- Program Compliance
- Residence Services Compliance
- Readiness to Proceed

# Readiness to Proceed

- Ready to fund in 12 months?
- Development schedule adequate to meet deadlines?
- Completion date 2 years from carryover (LIHTC) or award (HOME)?
- RD or HUD request for funds submitted prior to NOFA?
- Plan identified for adequate remediation/cost for environmental issues?

# Application Scoring Process

- Administrative Review
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  - Check for zoning verification
  - Check for application fees

# Competitive Scoring

- **Financial Feasibility**
  - Using reasonableness standard instead of nailing down every variable. Scored to determine whether a project is feasible or not.
- **Development Team Capacity**
  - To determine if appropriate capacity exists
- **Best Use of Public Funds**
  - To evaluate public benefit

# Competitive Scoring: Financial Feasibility

- Sources and uses balance? Reasonable and predictable?
- Does the project meet OHCS operating standards?
  - Operating ratios, replacement reserves, inflation factors
- Does the project meet OHCS underwriting standards?
  - Breakeven point, DSC, LTV
- Does LIHTC investment meet OHCS standards, such as size of development fee, etc?
- Project costs and budget meet OHCS standards for size and type?
- Should scoring be used to “reward” projects with lower costs?

# Competitive Scoring: Development Team Capacity

- Team experienced in this type of project? Program type? Population?
- Does having a consultant mitigate inexperience once project is completed?
- Does team have the financial capacity to complete this project?
- Is looking just at Real Estate Owned enough of a financial capacity test?

# Competitive Scoring : Best Use of Public Funds

Heavy scoring emphasis on factors that measure the best use of public funds, considering the priority on:

- Equitable geographic distribution of investment commensurate with need.
- Retaining expiring federal subsidies in cost effective projects that retain affordable housing important to the community.
- Leveraging the investments of others.
- Projects that meet multiple state policy objectives or formally stated regional priorities.

Partner Work Session to Follow