



Oregon

Tina Kotek, Governor

HPAC Work Group Recommendation Template

Work Group

- Availability of land
- Land development permit applications
- Codes and design
- Workforce shortages
- Financing

Recommendation

Create a pre-development grant program - up to \$250,000 per award - to advance deed restricted affordable housing production that *may* ultimately be funded through OHCS resources.

Related Work Plan Topics

OHCS Recommendation

Support small, rural, and culturally specific not-for-profit development organizations and public housing authorities with resources to get through due diligence and the holding of property.

Method of Adoption

This recommendation was adopted by the Finance Committee work group and passed with unanimous support 10/11/2023.

Co-chairs Guidance: Standards for Analysis

1. Clearly describe the housing production issue that the recommended action(s) will address.

The predevelopment stage for housing in Oregon takes two or more years from initial project idea to initial construction. Prior to beginning construction, projects require comprehensive funding to ensure project success; this involves securing site control, community engagement, feasibility studies, entitling processes, and design. Construction generally can take another 12-18 months, depending on the size and complexity of the building strategy. Together this brings project development timelines upwards of three-years from project concept to project lease up in an ideal circumstance.

For deed-restricted affordable projects using public resources, timelines can be even longer, as developers must apply for competitive funds on set schedules that are not aligned, and the resultant layers of local, state, and federal funds require coordination and often complex negotiations with funders over documentation and compliance requirements. Neighborhood opposition frequently contributes to protracted timelines as well.

This recommendation could support small, rural, and culturally specific not-for-profit development organizations without sufficient up front capital to get through due diligence and the holding of property.

2. Provide a quantitative, if possible, and qualitative overview of the housing production issue.

Consistent confirmation from smaller, rural, and culturally specific developers that getting to readiness before coming in for OHCS funding is an enormous barrier due to their disproportionate challenges in taking the risk of upfront investments without known funding commitments. This also is seen as a strategy to help ensure the state continues to support equitable access to capital funding resources by intentionally supporting those developers who need more support to bring projects to fruition. Additionally, with the mandate to increase development of affordable housing by the amount in the Executive Order, there is going to need to be an increase in capacity for sponsors developing those types of projects and a general increase in those developers able to bring those projects forward.

3. To assess the issue and potential action(s), include subject matter experts representing all sides of the issue in work group meetings, including major government, industry, and stakeholder associations.

-Housing Authorities of Oregon (HAO)
-Housing Oregon
-HPAC Finance Subcommittee Members

4. Provide a quantitative, if possible, and qualitative overview of the outcome of the recommended action(s).

Outcomes would be wide ranging and dependent on community need. By investing in the affordable housing industry, it helps to ensure that each investment is not just about unit production tomorrow but building capacity throughout the state for a more sustainable housing situation and healthy housing industry generally in the future. Increased unit production would be an outcome, with these organizations moving to project readiness faster and more effectively than they would be able to without this funding and would support organizations with a more inherent commitment to keeping housing affordable long term. By helping to equitably support organizations with smaller balance sheets to access funding from the state that is simultaneously being requested by larger, more well-resourced organizations, it ensures all potential development partners have the ability to move projects forward which will help serve the broadest range of needs for Oregonians.

5. Provide an estimate of the time frame (*immediate, short, medium, long-term*), feasibility (*low, medium, high*), and cost (*low, medium, high*) for implementation of the recommended action(s).

Short timeframe
Highly feasibility
Medium cost for implementation. Easy alignment with existing OHCS initiatives.

6. Provide a general overview of implementation, the who and how for the recommended action(s).

To be administered by OHCS and targeted to small, rural, and/or culturally specific not-for-profit development organizations and public housing authorities.

7. Outline the data and information needed for reporting to track the impact and implementation of the recommended action(s).

In coordination with OHCS the Governor's Office could be informed of the number of units produced with utilization of pre development resource and number of small, rural, and/or culturally specific not-for-profit development organizations and public housing authorities that are advancing developments.

8. Identify any major unknowns, tradeoffs, or potential unintended consequences.

OHCS' current process allows legal counsel months to oversee documentation and agreements for property investments; this change would require much shorter turnaround time with predictability. Some funding sources, such as Article XI-Q bond funded resources, require projects to be identified in advance of the bond sale; this strategy will require careful navigation and potentially a resource that could be used temporarily to bridge funding needs before the bond sale occurs.

The State will need to:

-Identify its tolerance for risk of non-payment prior to extending any such pre-development loans, particularly for those projects that end up competing for and not receiving scarce public resources.

-Conduct some due diligence and credit analysis on the applicant to weigh its ability to eventually execute on the proposed project.

-Establish a transparent policy about proposed affordable projects which will inevitably seek permanent sources from OHCS, and be prepared to decide the merits of an eventual NOFA application that is not directly influenced by the credit exposure (outstanding pre-dev investment) to this sponsor. (OHCS has history with this.)

Please include any relevant reports, data analyses, presentations, or other documents that would be informative and useful for the full HPAC as the recommendation is discussed and considered.