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# Technical Advisory

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March 14, 2014

## **2014 and 2015 Multifamily Housing Finance LIHTC NOFA Parameters**

Dear Partners:

OHCS has been engaged with many of you over the past two years in revising the Consolidated Funding Cycle. Big changes were made in the 2013 funding cycle, and we have continued working to deliver a further-improved process for 2014 for release in April or May 2014. (We will firm up a release date after changes to the Qualified Allocation Plan and Oregon Administrative Rules are in place, and we have completed our update to the scoring methodology. More on this soon.)

This message will update our development and finance partners on this year's process refinement work, and invite additional comments before we finalize our schedule and the NOFA materials for release.

Two major themes have emerged from our discussions with the development community: You want predictability and transparency. You want the timing of our funding process to align with related local and federal processes while optimizing construction seasons; and you want clarity and transparency about the way in which we establish policy priorities. We think that the way to meet these needs is to establish parameters now for both the current year NOFA and for next year's. We are prepared to commit to few – if any – changes in 2015 to give all of us a higher degree of certainty.

This two-year stability will enable us to have a thoughtful approach to key policy matters before we launch the 2016 NOFA. The list of matters we will want to address well in advance of a 2016 process include:

- Expansion of the Preservation set-aside definition (2015 and 2016 cycles)
- Green Building Standards
- Architectural Standards
- State Project/Population Priorities
- Streamlining of the NOFA/Application
- Funding Cycle Timing (2015 and 2016 cycles)

### Regions and Allocation of Funds

In a change from 2013, we intend to assign resources across three geographic regions instead of five, as follows:

Region	Counties/Cities	Estimated LIHTC Allocation*
Metro Oregon	Clackamas, Multnomah and Washington Counties	\$4.0 MM (45%)
Non-Metro HUD Participating Jurisdictions	Corvallis, Eugene/Springfield and Salem/Keizer	\$1.6 MM (18%)
Balance of State	All other cities and counties not included in a region listed above	\$3.3 MM (37%)

\* The LIHTC allocation formula is based on the percentage of low-income households that earn 60% or less of area median income and households that are severely rent burdened, meaning they expend more than 50% of their income on housing. All other resources - HOME, Trust Fund, OAHTC - will be allocated on a statewide basis with a maximum allocation set for each funding source based on availability of resources.

By utilizing this structure, the Department will avoid the need to create a floor of funding for regions where the allocation formula would not generally provide enough resources to fund a single project. This distribution will also make it easier for similar project types to compete more closely with one another and provide leverage opportunities. As some of you pointed out, the former five-region structure could inadvertently lead to over-building in some communities.

### Set-Asides

This year we intend to reestablish a set-aside for what we call “Big P” Preservation. This will be a “soft” set-aside, meaning if no projects in the region met the eligibility criteria, other projects will be funded instead.

- 2014 - Establish a 35% soft set-aside for preservation projects with at least 25 percent of the units having federal project-based rent subsidies.
- 2015 - Retain the 35% soft set-aside for preservation projects, but expand the eligibility to include what is considered “little p” preservation projects. The definition will be developed with input from affected stakeholders.

### **Priorities**

General preferences have not changed from the 2013 LIHTC NOFA.

- Projects located in under-served areas, with the goal of equitably distributing our resources across Oregon over time;
- Projects that serve the lowest incomes;
- Projects that are located in either a HUD Qualified Census Tract (QCT) or areas that serve to de-concentrate poverty, otherwise defined as projects located in a census tract with less than 10% poverty.

### **Driving Impact**

For this year and next, we will expand on the “Impact” concepts that were in the 2013 NOFA encouraging alignment with State Initiatives, and innovative partnerships. OHCS will award points in the Impact Section of the NOFA for projects that not only provide quality affordable housing, but are also connected to regional efforts such as Coordinated Care Organizations, Early Learning Hubs, Regional Solutions, Workforce Investment Boards or other integrated planning efforts; in addition points will be awarded to those projects that advance a long-term statewide human services policy priority as articulated by the Governor or in enacted legislation, and can demonstrate a specific plan for improving human services outcomes. Examples could include apartment communities that do one of the following:

- Serve to reduce the number of children in foster care by providing specific child and family support mechanisms; or
- Provide housing to formerly incarcerated people, with structured systems to facilitate reentry to society; or
- Allow seniors and people with disabilities to age in place by facilitating on-site health services; or
- Support improved educational attainment for youth by having dedicated space and well-developed early learning or school partnerships for resident families.

Sponsors may propose other projects designed to promote multiple public policy goals and outcomes. In order to score points for such outcome-based projects, sponsors will need to

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demonstrate well-developed local or regional partnerships, appropriate resident services, and funding agreements, along with a specific plan for tracking resident outcomes.

### **Competitive Scoring Categories and Weighting**

The general outline of scoring methodology this year will consider the following:

<b>Weighting</b>	<b>Category</b>
55%	Need & Impact <ul style="list-style-type: none"><li>- Need – 15%</li><li>- Impact – 40%</li></ul> For this section, there will be separate criteria for projects which are considered to be new construction or acquisition and rehabilitation versus preservation.
15%	Preferences
15%	Financial Feasibility/Viability
15%	Sponsor and Developer Team Capacity

We are working to establish scoring guidelines within these broad categories, and those guidelines will be published within the NOFA.

### **Scoring Committee**

A scoring committee will be formed, similar to the group that was utilized in 2013, with diverse internal and external membership. The committee will be larger than last year and we will be examining how to minimize conflicts of interest of the members and the relationships to the projects that apply for resources.

### **Cost Containment**

As a first step toward utilizing a cost containment measure and in line with National Council of State Housing Agencies best practices, for the next two years we will establish a target for maximum cost per unit. The target will be based on historic data of projects funded understanding differences across regions and project types. If a proposed project's cost per unit is above the target the applicant will be required to submit a letter of explanation with respect to the projected cost per unit. Based on historic data, the table shown on the next page includes the proposed targets for 2014.

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Oregon draft cost per unit	Studio	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Urban	\$200,000	\$222,000	\$272,000	\$306,000	\$325,000
Balance of State	\$145,000	\$162,000	\$205,000	\$258,000	\$275,000

Urban definitions would apply in the Metro Region and to any project where the project meets two urban project criteria (e.g. more than four stories, elevator, required structured parking, or located on urban infill site).

These Cost Containment targets are not a scored or threshold item. Rather, we wish to begin measuring cost to raise awareness of the cost of affordable units and to gain a better understanding as to why costs may be greater than the amounts in the matrix. The matrix represents numbers that include 80% of the projects built over the past five years, not including land value.

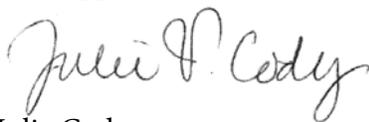
OHCS, along with other housing professionals will be working with Meyer Memorial Trust on a Cost Containment Initiative that we are hopeful will bring us all to a place where some scored Cost Containment Measure will be helpful to the resource allocation process in the future.

### **Next Steps/Timing**

All of us at OHCS truly appreciate the thoughtful feedback and assistance so many of you have provided these past months as we work to redirect our scarce housing finance funds towards the most needed, most impactful rental housing developments. While we don't plan to hold additional engagement meetings prior to the release of the 2014 NOFA, we will still accept your written feedback on the concepts as described in this memo. And as soon as we have a firm schedule, we will publish the dates for everyone's benefit.

	<b>2014 Cycle</b>	<b>2015 Cycle</b>	<b>2016 Cycle</b>
<b>Issue NOFA</b>	April/May 2014	January-March 2015	January-March 2016
<b>NOFA Responses Due</b>	75 days after issuance	75-90 days after issuance	75-90 days after issuance
<b>NOFA Selections Made</b>	October 2014	TBD	TBD
<b>Stakeholder Engagement</b>	<b>December'13-March'14</b> <ul style="list-style-type: none"> <li>• NOFA/ Application Streamlining</li> <li>• Regions</li> <li>• Competitive Scoring</li> <li>• Priorities and Set-Asides</li> <li>• Cost Containment</li> </ul>	<b>October-December'14</b> <ul style="list-style-type: none"> <li>• Broaden Preservation Set-Aside Definition</li> <li>• Timing of Funding Cycle</li> <li>• Major issues resulting from 2014 NOFA</li> </ul>	<b>October'14-March'15</b> <ul style="list-style-type: none"> <li>• Project/Population Priorities</li> <li>• Green Building Standards</li> <li>• Architectural Standards</li> <li>• Continued NOFA/ Application Streamlining</li> </ul>
<b>Policies &amp; Priorities Announced</b>	March 2014	Policies and Policies will be the same for the 2015 NOFA - Preservation and Funding Cycle. Timing will be announced no later than December 2014.	March-April 2015

With appreciation and best regards to our partners,



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