

HOUSING STABILITY COUNCIL



LOCAL INNOVATION AND FAST TRACK HOUSING PROGRAM DEVELOPMENT

MARCH 6, 2016

Oregon Housing and Community Services

LIFT Framework



- **Housing Stability Council reviewed the LIFT framework in February**
Proposed program design addresses key elements:
 - Outcome Goals
 - Funding Allocation
 - Population Served
 - Financial Structure using Article XI Q Bonds
 - Minimum Program Criteria
 - Selection Criteria
- **March Input and Follow up:**
 - Open Questions requiring Council advice
 - Follow up on key questions raised by Council

Senate Bill 1582



As identified in the Bill, Housing Stability Council has the following responsibilities for the LIFT program:

- Advise and consent on development and implementation of the LIFT program
- Advise and consent on distribution of resources statewide and the development of a formula to determine need
- Help develop strategies to reach historically underserved communities, reduce the cost of affordable housing, and involve DHS
- Advise OHCS in the development of, and consent to, the Oregon Administrative Rules that will guide the implementation of the LIFT program, including prescribing requirements for owning/operating

Open Issue: Development & Implementation



Ownership / Operating Structure

- Overview:
 - DOJ to draft standard legal documents
 - ✦ Input from stakeholders (lenders, developers, investors)
 - Form documents to be included in the solicitation
- Questions:
 - Agreement with this approach?
 - Additional advice to increase predictability for applicants?

Open Issue: Development & Implementation



Construction Standard and Tradeoffs

- **Overview:**

- Framework does not contemplate prescriptive green building standards or building design
- Allows for both traditional and alternative / innovative methods of construction
- Focus on keeping low on-going operating expenses
- Desire to not burden tenants with higher than average utility expenses
- Recommendation to delegate definition around quality and durability to staff architect

- **Questions:**

- Does Council want to require green building standards for LIFT?
- Does Council want a preference for energy efficiency or green building in scoring for LIFT?
- Additional considerations for construction standards for LIFT?
- Agreement on delegating to staff architect to draft standards?

Open Issue: Development & Implementation



LIFT investment per unit

- **Overview:**
 - \$32,000 per unit is based on performance goals of maximizing production and reducing the cost of affordable housing
 - With this level of investment, LIFT would create a minimum of 1,250 new affordable units
 - Modeling assumptions demonstrate the gap in various scenarios
 - LIFT program anticipates new innovative approaches to cut costs of development

Open Issue: Development & Implementation



LIFT investment per unit

- Gap per Scenario:

				4% LIHTC	4% LIHTC	4% LIHTC	
Acquisition costs	Hard and Soft costs:	\$75/sqft	\$96/sqft	\$140/sqft	\$120/sqft	\$170/sqft	\$240/sqft
		\$50k/unit	\$67k/unit	\$94k/unit	\$81k/unit	\$115k/unit	\$162k/unit
	\$5k/unit	\$27,000	\$41,675	\$71,375	\$31,412	\$54,136	\$85,950
	\$10k/unit	\$32,000	\$46,675	\$76,375	\$36,412	\$59,136	\$90,950
	\$20k/unit	\$42,000	\$56,675	\$86,375	\$46,412	\$69,136	\$100,950

- Modeling Assumptions:

40 unit project

60% rents on all units

Utility allowance: \$78/1 bedroom; \$88/2 bedroom; \$98/3 bedroom

Operating costs = \$4,000/unit/year

Replacement Reserve = \$350/unit/year

Unit Mix: 1 bedroom units 25%; 2 bedroom units 50%; and 3 bedrooms units 25%

Unit Size: 1 bedroom = 525 sq ft; 2 bedroom = 725 sq ft; 3 bedroom = 925 sq ft

Vacancy Rate: 7%

Debt Coverage Ratio: 1.20:1

Open Issue: Development & Implementation



LIFT investment per unit

Questions

- Does Council agree with the approach to setting the per unit subsidy at \$32,000 per unit?
- If not, what additional information would Council like to see before finalizing the maximum level of subsidy being offered in the LIFT program?

Other Framework Requests



- Homeownership not to be recommended for LIFT 1.0 but will continue exploration of how Article XI-Q Bonds can be used to advance affordable homeownership initiatives; primary challenge is not subordinating the land ownership to lender
- Distribution of LIFT Resources
 - Allocation set at:
 - ✦ 50% of funds to Rural Communities
 - ✦ 50% of funds to serve Communities of Color
 - Developing criteria that leaves scoring committee flexibility to ensure geographic diversity when awarding projects



Other Framework Requests



Need Formula

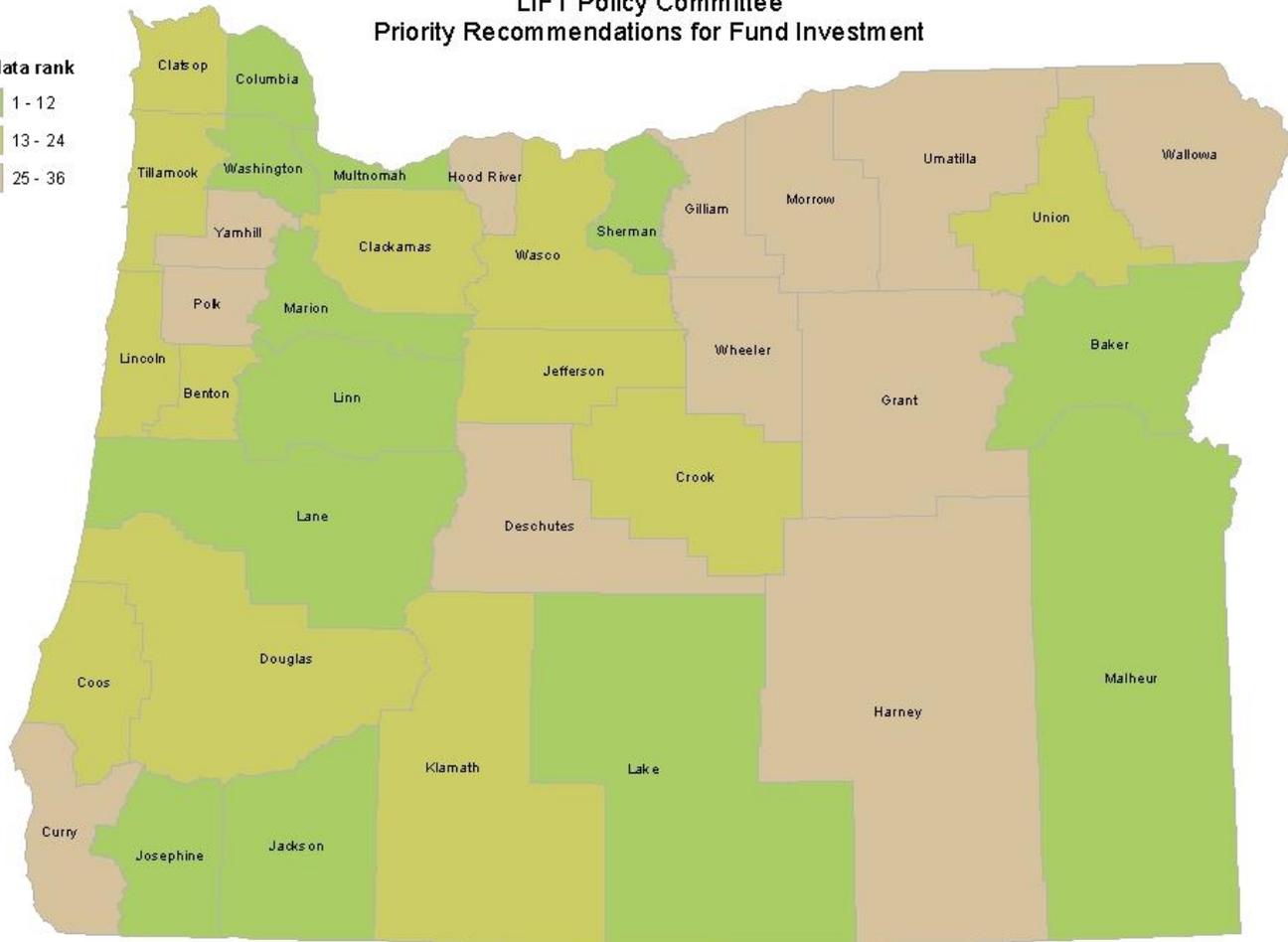
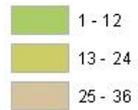
- Overview:
 - Policy Subcommittee recommended a county based formula that would provide more points to those counties ranked higher, but would not restrict any county from applying for funds
 - Formula elements:
 - ✦ Nonwhite and Hispanic Poverty Rate
 - ✦ Family Poverty Rate
 - ✦ Child abuse and neglect victim rate
 - ✦ Extremely low income households with severe housing problems

Other Framework Requests



LIFT Policy Committee Priority Recommendations for Fund Investment

LIFT data rank



Other Framework Requests



Need Formula

- Questions:
 - Does Council agree with the formula factors that would be used to provide preference points in the scoring methodology?
 - If not, are there other factors that Council would like staff to explore?
 - Does Council have specific thoughts about limiting resources available to any one community?
 - What, if any, additional information does Council need to provide consent to the distribution of LIFT resources statewide?

Other Framework Requests



Strategies for Reaching Historically Underserved Communities

- **Rural Communities update:**

- Current definition: any community with a population of 25,000 or less that is located outside of the Portland Urban Growth Boundary
- Council requested examination of this definition:
 - ✦ By expanding the population threshold to include any community within a county of less than 85,000 in population, regardless of the size, one city with population greater than 25,000 (Grants Pass) would be added to the eligible target area for “Rural Community”
 - ✦ By increasing the definition of a minimum size within the definition of a Rural Community from 25,000 to 40,000, four (4) additional communities would be added to the eligible target area for “Rural Community” – Keizer, Grants Pass, McMinnville, and Redmond

- **Question:**

- Does Council advise OHCS to offer a change the definition of Rural Community that is different than the current definition that was outlined by the Governor in the early phases of program development?

Other Framework Requests



Strategies for Reaching Historically Underserved Communities

- Communities of Color update:
 - Currently defined as:
 - ✦ A project that is sited to prioritize housing opportunity for communities of color by serving to prevent or address displacement
 - ✦ A demonstrated partnership with a culturally specific organization through an executed Memorandum of Understanding or an organization with diverse and representative leadership
 - ✦ The applicant will also have a marketing and outreach plan designed to publicize to communities of color the availability of these housing opportunities and affirmatively further fair housing

Other Framework Requests



Strategies for Reaching Historically Underserved Communities

- **Communities of Color and Fair Housing:**
 - Fair Housing prohibits the targeting or exclusion of any protected class; including all race and ethnic groups
 - Intent of ‘serving communities of color’ for the LIFT program is not to limit tenancy by race / ethnicity. The intent is to ensure that the housing is made available to and is responsive to the needs of historically underserved population groups; in this case, communities of color.
 - Communities of color is defined as racial / ethnic groups that have been historically underserved and is not specific to a geographic area or determined by specific geographic demographic factors
 - The process of applying under the path of ‘serving a community of color’ will require that applicants demonstrate strategic site selection that either provides opportunity or serves to prevent displacement. In addition, strategic partnerships with culturally responsive organizations must be in place in order to deliver on a deliberate plan to affirmatively further Fair Housing.

Other Framework Requests



Strategies for Reaching Historically Underserved Communities

- **Communities of Color Question:**
 - Does Council advise OHCS to offer any changes to the definition of Community of Color?

Other Framework Requests



Strategies for Reaching Historically Underserved Communities

- **Outreach plan:**
 - Outreach with local communities, including DHS representation
 - Solicitation of developer community to garner program interest; as well as seeking geographic and racial diversity
 - Engage with other stakeholders such as Housing Authorities, service providers, lenders, and investors to ensure the groups understand how to engage with the program
 - Relay program information and parameters as we move from program design to implementation
 - Providing regular written and verbal updates to stakeholders, partners, legislators and HSC as appropriate
- **Question:**
 - Does Council have suggestions for additional strategies to reach historically underserved communities that they would like staff to employ as they plan for program implementation?

Other Framework Requests



Strategies for Reducing Cost of Constructing Affordable Housing

- **Cost savings concepts:**
 - Alternative construction methods
 - Mixed income
 - Additional sources of non-state gap funds
 - Developer equity
 - Designing smaller units
 - Leverage project based rent assistance
 - Limiting cash developer fee
 - Land donation
 - Dense development on low cost land
 - Lowering operational costs
- **Question:**
 - Does Council recommend additional strategies to incorporate into the program?

Other Framework Requests



Strategies for Involving the Department of Human Services (DHS)

- **Summary:**
 - DHS to be involved in outreach plan and activities
 - DHS to contribute information regarding priority areas
 - DHS to work with OHCS to determine best way to place DHS clients in housing
 - DHS likely to have representation on scoring committee
- **Question:**
 - Does Council recommend additional strategies to incorporate into the outreach and implementation of the program that would increase the involvement of DHS?

Other Framework Requests



Identifying a Plan B Scenario

- **Concept:**
 - Pursue homeownership structure where:
 - ✦ There is fee simple land ownership that is not subordinated
 - ✦ Some portion of the homes would be made available to current or former DHS clients who are well on their way to self-sufficiency and/or reunification
 - When applications are submitted, if not before, OHCS will have a reasonable understanding as to whether a Plan B will need to be executed and can act at that time to fully develop the approach.

- **Question:**
 - How much detail regarding Plan B execution needs to be developed as part of the overall LIFT framework to allow OHCS to move forward with initial implementation?

Next Steps



- Finalize Housing Stability Council Advice and Consent items reviewed today in order to allow staff to develop comprehensive program design and solicitation documents
 - Target: April Housing Stability Council meeting
- Questions:
 - Is this timeline reasonable, or should it be reconsidered?
 - Are there any additional items or information that Council would like to see before the April meeting?

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**FOLLOW UP
& THANK YOU**

Oregon Housing and Community Services