

# Housing Stability Council

## MEETING MATERIALS PACKET



WestTown on 8<sup>th</sup>  
Eugene, OR 97401

February 5, 2016  
9:00 a.m. – 12:00 p.m.  
Oregon Housing and Community Services  
Conference Room 124 A&B  
725 Summer Street NE, Salem OR 97301





# Oregon

Governor Kate Brown

## Housing Stability Council

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### Council Members:

Aubre L. Dickson, Chair  
Mayra Arreola  
Tammy Baney  
Michael C. Fieldman  
Zee D. Koza  
Marissa Madrigal  
Adolph "Val" Valfre, Jr.

### AGENDA

February 5, 2016

9:00 a.m. – 12:00 p.m.

Oregon Housing and Community Services, Room 124

725 Summer Street NE, Salem OR 97301

Call-In: 1-877-273-4202; Participant Code: 4978330

	TOPIC	ACTION	SECTION	MOTION
1.	<b>Meeting Called to Order</b> - Roll Call	Call Roll		
2.	<b>Public Comment</b>	Comment		
3.	<b>Draft Meeting Minutes</b> - January 8, 2016	Approval	Page 2	Page 10
4.	<b>Residential Loan Program Consent Calendar – Julie Cody,</b> <i>Assistant Director, Housing Finance &amp; Lisa Nunnellee, Single Family Section,</i> <i>Residential Loan Specialist</i>	Approval	Page 11	Page 11
5.	<b>LIFT Program Design Draft Recommendations – Julie Cody,</b> <i>Assistant Director, Housing Finance</i>	Approval	Page 13	Page 22
6.	<b>Current and Future Multifamily Gap Resources– Julie Cody,</b> <i>Assistant Director, Housing Finance</i>	Report	Page 23	
7.	<b>2016 Legislative Short Session – Rem Nivens,</b> <i>Assistant Director, Public Affairs</i>	Report		
8.	<b>Report of the Director</b>	Report		
9.	<b>Report of the Chair</b>	Report		
10.	<b>Meeting Adjourned</b>			





January 8, 2016

Oregon Housing Stability Council Meeting Minutes- DRAFT

Chair Dickson called the meeting to order at 9:07am and asked for the roll call.

Roll was called and is reflected in the table below:

Council member	Present	Not Present
Mayra Arreola	X	
Tammy Baney	X	
Mike Fieldman	X	
Zee Koza	X	
Marissa Madrigal	X	
Adolph "Val" Valfre	X	
Chair, Aubre Dickson	X	

### **Public Comment:**

Chair Dickson opened the meeting for public comment.

From the phone:

Josephine "Jo" Ko (Acorn Park Community for Well-being) Ms. Ko talked about the letters her association has sent and to whom those letters have been sent. Ms. Ko then thanked the Council for their response to the letter the association sent. Her main concern was for the children in her community.

Ruth Adkins (Oregon Opportunity Network) Ms. Atkins called to thank the Housing Stability Council and the OHCS staff for all of their hard work during 2015. Looking forward to 2016 and more opportunities to work together to improve housing in Oregon.

Mary McCullough (Acorn Park Community for Well-being) Ms. McCullough is still opposed to the project in her neighborhood. She gave second hand accounts of the opinions of several other people from the area near the project.

Chair Dickson closed the public comment section of the meeting.

### **Draft meeting minutes for approval:**

The meeting minutes from the December 11, 2015 meeting were distributed to Council members prior to the January 8, 2016 meeting and edits received were incorporated into the document presented to the Council for approval today. Chair Dickson asked Council members for any questions or additional edits. Receiving none, Chair Dickson then called for a motion to approve the meeting minutes. The motion to approve the December 11, 2015 meeting minutes was made by Tammy Baney and seconded by Marissa Madrigal. Chair Dickson then called for a vote.

**December 11, 2015 Meeting Minutes:**

Council member	Motion	Yes	Nay	Abstain	Absent
Mayra Arreola		X			
Tammy Baney	X	X			
Mike Fieldman		X			
Zee Koza		X			
Marissa Madrigal	2nd	X			
Adolph “Val” Valfre		X			
Chair, Aubre Dickson		X			

**Vote: 7:0:0:0 | PASS**

**2016 Qualified Allocation Plan (QAP) Comment Draft Update – Julie Cody, Assistant Director, Housing Finance**

Ms. Cody provided an update on the progress of the 2016 QAP Draft. Please reference the presentation by clicking [here](#). Ms. Cody gave thanks to the group of people who came together to assist with the formulation of this latest draft of the 2016 QAP. The group met twice to aid in the creation of the draft. Ms. Cody then outlined the specific areas addressed by the group. Please reference page 3 of the presentation for a complete list of topics addressed.

Council comment:

Under the framework of this updated QAP Draft, as the difficulty and complexity of a project goes up, the allowable fee also goes up. And therefore it meets the “reasonability” test.

Ms. Cody also let the Council know plans are in place to address areas of concern which are not included in the 2016 QAP. Please reference slide 6 for additional details.

The “red-line” version of the 2016 QAP has been published and available on the website. The changes in the “red-line” version can be made immediately as they are not material changes.

Ms. Cody also informed the Council that she and the OHCS staff are still working to refine the definition of the “big P” preservation, so there may be some changes yet to be made.

Ms. Cody also outlined the next steps for the 2016 QAP if the Council authorizes OHCS to proceed. Please reference page 7 of the presentation for the detailed list and projected completion dates.

Council comments:

Tammy Baney offered up her appreciation and thanks to Ms. Cody and OHCS staff for all their hard work. She has heard great things from our partners and stakeholders. This is great work. She appreciates the patience, outreach and consideration of the OHCS staff during this process. Thank you for taking the time today to create a good 2016 QAP.

Val Valfre also commented on the good ways in which the OHCS staff and stakeholders have worked together. He also noted it would be good to incentivize the use of the 4% projects.

Marissa Madrigal commented on how the 2016 QAP is a good product. It is logical and fair. It is fabulous. Thank you for your hard work.

Chair Dickson then opened the meeting to public comment on the 2016 QAP.

On the phone:

Ruth Adkins – expressed appreciation for the opportunity to be a part of the dialogue and being included on the work group. Thank you to Julie and staff for all of their hard work.

In the room:

Steven McMurtrey – wanted to echo what Ruth said and thank you to Julie and the OHCS staff. Thank you for your willingness to discuss topics and concerns openly during this process. Excellent work!

Chair Dickson then called for additional questions and/or comments, receiving none, he called for the motion. The motion to approve and authorize the opening of the formal public comment period for the 2016 QAP from January 11 through February 10, 2016 was made by Tammy Baney and seconded by Zee Koza.

Chair Dickson then called for a vote on the motion.

Council member	Motion	Yes	Nay	Abstain	Absent
Mayra Arreola		X			
Tammy Baney	X	X			
Mike Fieldman		X			
Zee Koza	2nd	X			
Marissa Madrigal		X			
Adolph “Val” Valfre		X			
Chair, Aubre Dickson		X			

**Vote: 7:0:0:0 | PASS**

**Q:** Council member Tammy Baney asked: When will the workgroup be formed to begin work on the 4% LIHTC program?

**A:** Ms. Cody answered: In a couple of months from now. We will start to reach out to potential members after we get through the QAP approval process. Ms. Cody plans to ask the Council for suggestions for the work group.

#### **LIFT Subcommittee Progress Update – Margaret Van Vliet, Director**

Director Van Vliet provided an update on the work to date of the LIFT Subcommittees. The two subcommittees had a productive joint meeting on December 7, 2015. OHCS staff then took the feedback and produced a draft program design. This draft will be shared with the subcommittees at their meetings next week on January 13. OHCS will also share the document with the Council.

Next Steps:

- Refine the document during the second half of January and then bring before the Council at the February 5, 2016 meeting.
- Bring it to key legislators to vet with them as well.
- Have enough detail to respond to the Governor and Legislators.
- We are hoping to go out for solicitation in the Summer of 2016.

Please visit the [LIFT](#) web page to access more information on the work of these two important subcommittees.

**Q:** What is happening with the legal opinion from the Legislative Council? Have you gotten an opinion about the ownership piece of this process?

**A:** We have seen a version from the Legislative Council on what ownership will look like. We are not ready to distribute the draft. We hope to share the opinion with the subcommittees next week. We are still waiting to hear from the DOJ on their opinion.

**Q:** Is there a timeline from DOJ?

**A:** No. But we expect to see their opinion later in January.

Mayra Arreola – United Way work is aligning well with what is happening with the LIFT subcommittees. She is working with Kim Travis and Alison McIntosh to develop the links and develop alignment and collaboration.

**Poverty Report – Claire Seguin, Assistant Director, Housing Stabilization**

Ms. Seguin brought Megan Bolton with her to provide a dive into the data and the Poverty report. She asked the Council to please think about what they would like to have this report look like in the future as OHCS wants to make this as useful as possible for them.

Ms. Bolton then reviewed the slide presentation with the Council. Please reference the slide presentation found on the website by clicking [here](#). Ms. Bolton used the data from Deschutes County as an example for her presentation.

**Q:** When you say “burdened” what do you mean 50% or 30%?

**A:** In this case burdened means the sample households are spending more than 30% of their income on rent or housing costs for our report sample.

Our hope is that this report can be used by agencies seeking grant monies, hosting fund raising events and planning for the future. Please click [here](#) to access the online Poverty Report.

**Q:** Tammy Baney had a comment – Community health assessments are being created now at the county level. How do we get this information in front of those organizations as they create their reports?

**A:** We will work through our Housing Integrators to spread the word as they interface with the CCOs around the state. Director Van Vliet also told the Council she would reach out to OHA and DHS and make sure they know about the report and the data which is available.

**2016-2020 Consolidation Plan (Con Plan) Comment Draft – Theresa Wingard, Planning and Policy Analyst**

Ms. Wingard provided the Council with the latest update on the Con Plan. You can access the one page presentation update by clicking [here](#).

Ms. Wingard thanked the Council members for their support during the process of creating the Con Plan. You can access the Consolidated Plan by clicking [here](#).

There will be another update coming to the Council on March 4, 2016. OHCS will ask the Council to take formal action in March if no issues are raised during the Public Comment period.

Chair Dickson then asked if any of the Council members had any comments they wished to share. Zee Koza said it was a fantastic project and she learned so much during the process.

Val Valfre said he thought this was a great effort and took his hat off to both Theresa and Shoshanah for all of their hard work.

Margaret reminded the Council that they will be using this work to build the strategic plan for the Housing Stability Council.

*Chair Dickson adjourned the meeting for a 5 minute break.*

*Chair Dickson called the meeting back to order at 10:20 a.m.*

**Public Purpose Charge (PPC)/Document Recording Fee (DRF) – Caleb Yant, Assistant Director, Chief Financial Officer**

Mr. Yant provided a comprehensive overview of the PPC and DRF reports which his office is preparing for publication and distribution. OHCS will post the information in these reports on the OHCS website and then going forward we will provide a quarterly update to the reports.

These two sources of income provide a significant amount of funding for OHCS. OHCS runs seven different programs with the funds from these two sources.

The Document Recording Fee, or DRF was established in 2009. It is a fee on the recording of property documents. In 2009, the fee was set at \$15, and in 2013, the Legislature increased the fee by \$5 to serve veterans. DRF revenues fund three programs: General Housing Account Program (**76%**), Home Ownership Assistance Program (**14%**), and the Emergency Housing Account (**10%**).

**Q:** Can the reports show how much went to Veterans? How do I look at the total amount which went to the Veterans?

**A:** The reports being shown today are at a high level, but we can tailor the reports to show the information you are looking for. If you want to see more detail, Mr. Yant is available to assist you.

Mr. Yant showed more detailed reports of the General Housing Account program that is funded through the DRF.

**Q:** Are the percentages for each program established by law?

**A:** Yes. These percentages are in statute (**76%**, **14%**, and **10%**).

**Q:** What does capacity building mean? Is the capacity building intended to grow the program or the agency?

**A:** We will come back to this question a bit later in the presentation.

Council Comments:

We like what you are showing us. It is great to see the data we have been asking for. It is great to see where the dollars are going. The data can also show us areas where we are not spending money and then ask the question why. Help us target funding in a non-competitive process.

Mr. Yant then reviewed the high-level reports for the Home Ownership Assistance program.

**Q:** Are the awards competitive?

**A:** Yes, they go out as a NOFA through the Single-family program.

Please note that when an organization serves more than one county, the OHCS staff has made an even split and adds a note to the report which says: “estimated”. The actual dollars can be seen in the excel file that accompanies the report.

**Q:** Can someone explain what home ownership innovation is?

**A:** Ms. Cody came to the microphone to explain. Homeownership innovation has in the past been used to fund manufactured home replacement and upgrades, adaptive dollars to keep seniors in their homes, and other innovative programs. OHCS will be talking about this more in the future with the Council to report back. Please look for an update at a future Council meeting.

Mr. Yant next reviewed the high-level reports for the Emergency Housing Account program. The view he displayed to the Council showed the breakout by biennium.

**Q:** Where is the carryover from the previous biennium?

**A:** Mr. Yant showed the location on the spreadsheet.

**Q:** OHCS does not receive an appropriation for the entire biennium?

**A:** Usually it is allotted to OHCS on a quarter by quarter basis and OHCS prepares a quarterly request for the funds.

Public Purpose Charge –The Public Purpose Charge is money collected from ratepayers through the utilities. This money goes to fund investment in renewable energy and energy savings. A portion of the funds come to OHCS, and are primarily spent through contracts with Community Action agencies. Four OHCS programs are funded through PPC: Multi-family Weatherization, ECHO, Housing Development Guarantee Program, and Oregon Energy Assistance Program.

Mr. Yant provided a high-level view of the PPC funds and how they are distributed to the four programs funded by them. Mr. Yant also reviewed the percentage breakdowns of the funding dollars generated through the PPC.

**Q:** Clarification: the money is to be used in the community/county where it is collected, right?

**A:** Yes, that is correct.

**Q:** How do we allocate the administrative costs? It appears to vary greatly? Do we try to get to actual costs or is a formula used?

**A:** Sometimes we subsidize the administrative costs. What you see in the report is the cost billed to that funding source to administer each program. The actual cost to administer the program may be more.

Council suggestion: OHCS may want to provide an explanation for the administrative costs on each report to avoid misunderstanding or confusion.

**Q:** How does OHCS make sure the funds that come in are spent in the year they are collected?

**A:** The utility companies tell us where the money comes from and we allocate according to what we receive (i.e. OHCS receives \$100K in March, and then OHCS allocates that \$100K in April).

Mr. Yant will send the documents to the Council members after the meeting today. He will be available to address questions the Council members may have. Mr. Yant restated his commitment to the Council to provide a quarterly update on these reports going forward.

**HUD 811 Update – Rhonda Crawford, Housing Stabilization Section Manager & Ryan Miller, Housing Finance Section Manager**

Ms. Crawford and Mr. Miller provided an overview of the HUD 811 program. To view the update document please click [here](#).

The Council members asked for more detail than was provided on the one-page document. Population served, number of units, etc.

Ms. Crawford and Mr. Miller will send out the requested materials to the Council members.

**Q:** Why are states having difficulty placing the HUD 811 units into existing portfolios?

**A:** There are two reasons Ms. Crawford and Mr. Miller are seeing right now:

1. The high-cost of the units and
2. The low vacancy rates.

The other states are finding it hard to place the units in existing portfolios and they are now trying to place them into new projects.

**Q:** Will the partnering agencies be identifying the recipients?

**A:** Yes.

**Q:** How are the units going to be distributed around the state?

**A:** OHCS, DHS and OHA are still refining the program design. Mr. Miller will send out a roadmap to the Council members after the meeting. OHCS is still waiting to get the signed agreement back from HUD. OHCS expects to have it in the next 30-60 days.

**Q:** Is the 20% of units in a project maximum a HUD requirement?

**A:** That is a requirement of the US DOJ agreement. It is designed to ensure people with disabilities and mental health conditions are integrated into communities rather than segregated. Ms. Crawford and Mr. Miller are willing to come back at a later date to provide an additional update.

**Q:** Related to the maximum set at the rent level for 50% of Area Median Income, is that the sole rent that can go into this program? Is that the amount the owner will have to be satisfied with? Can other funding sources make up the difference?

**A:** Mr. Miller does not have the answer to this question right now. He will do some research and let the Council know what he finds out.

**Q:** In communities right now we have vouchers which are not being used. How is the HUD 811 program different than what we are using today? We can have more money, but if the units are not there than more money will not help.

**A:** We applied in 2013 for this program. OHCS's view is we want to get every single dollar we can get for Oregonians. If we can tie it to future production it may be helpful. It will be tricky for us to utilize the program funds. It is also dependent upon the need from OHA and DHS.

**Q:** Are the clients still going to get services for their needs from the service providers? The cost to the developer is the TRACS system.

**A:** Yes. Once the clients are housed they do not have to accept services, it is entirely up to the client. OHCS will double check with our colleagues at OHA and DHS and get back to the Council.

**Q:** Are you considering having hardened units? Will that be a consideration?

**A:** OHCS will make note of the request, but it is not currently a part of the HUD 811 program. OHCS will double check with our colleagues at OHA and DHS and get back to the Council.

#### Council discussion –

Councilmember Mike Fieldman sees this as a positive addition to the OHCS portfolio. This could be a way for OHCS to identify and secure inventory to a specific targeted population. This is a long-term subsidy for a specific targeted population.

**Q:** As an agency how will OHCS decide to stand up a program and bring on staff? If the program doesn't work are the hired staff members linked to the program only?

**A:** It depends on the situation, but we are going to reapportion work rather than hire someone. OHCS is trying to avoid adding FTE.

*The Council asked for follow up on this topic at a future meeting in 2016.*

Zee Koza thanked the staff for the work they are doing in this area. She noted that every little bit helps.

## **Report from Director Van Vliet**

Happy New Year! We have a lot going on. The future agenda planning document is on the table in front of you. Updates are coming and we will send an update when we make some additional edits.

You can tell by the agenda and conversation today that we are now in the new OHCS and the new Housing Stability Council. We are feeling good about where we stand, the help the Council is giving the agency, and what we can do with our partners in the future.

OHCS is making good progress toward the goals we set during the transition (being more data driven, transparent, and fiscally sustainable). We are making good progress.

More money is coming to Oregon for housing from the federal government. The Hardest Hit Fund is likely to get \$60-70M more dollars this year. Good news is we are getting more money, but the bad news is that we are down to a skeleton crew in OHSI and will need to increase capacity.

**Q:** Are the dollars restrictive?

**A:** Originally there were some very specific requirements to qualify for the program (foreclosure avoidance in hard hit communities). OHCS will be working with other states to find out what they have been doing or plan to do and how much flexibility Treasury will give us when using the funds.

**Q:** Will the money be able to help clients avoid tax foreclosure? There is some predatory activity out there and home owners are being preyed upon.

**A:** Sounds good, but it may be hard to administer. We will look into this question and report back to the Council.

Governor Brown will be making two new appointments to the Council in May and not during the February Legislative Session. We will need to recalibrate the calendar and schedule to accommodate this change.

CASA and Corporation for Enterprise Development (CFED) are convening a National Manufactured Housing meeting in Oregon on January 29. OHCS will be taking a tour of Palm Harbor Homes (a manufactured housing company) in Millersburg.

The Secretary of State's Office is continuing to scope for a Performance Audit of OHCS. SOS has still not decided what they will focus on for this audit. We will update you as we learn more. Portland HUD is undergoing a big organizational change right now. The Multi-family team will be moving to San Francisco or Denver.

The Oregon IDA Initiative Request for Proposals has gone out for new funding for the 2016-17 year (\$9.3M). OHCS should be able to make a funding announcement in March for the funding year which begins in March. We will keep you posted.

*Your packet contains a letter from a citizen about rent increases at a property called The Charleston, Ryan Miller and his team will look into the complaint. OHCS may have a role in compliance for this property. OHCS will provide written response when completed.*

The Legislature will be in town in a couple of weeks. Representative Keny-Guyer and Speaker Kotek are working on a variety of measures to address housing. We expect some big bills to come before the Legislative body. There will be several money asks during the session related to housing needs.

Oregon Volunteers still remains with OHCS now, but we have been requested to report to the Legislature about a future home for this work and whether it should remain with OHCS

Tammy Baney offered her thanks. She appreciates the work of the Director and her team for continuing the good work of the agency in the midst of great change.

**Report from Chair Dickson**

Thank you to OHCS in general and to Julie and her staff in particular for their hard work on the 2016 QAP and their inclusive attitude with our partners when creating the draft we were presented today. Thank you for the manner in which you turned around the updated draft and the ways in which you included your partners in the process.

I will be attending the Metro Housing Leadership Summit on February 1 in Portland along with Mike Fieldman and possibly some OHCS staff.

Today was a great first meeting for 2016. I look forward to the good work we will do the rest of this year.

*Chair Dickson adjourned the meeting at 11:55 a.m.*

DRAFT

**MOTION:** Move to approve the January 8, 2016 meeting minutes, either as presented or with noted changes.



# Oregon

Governor Kate Brown

## Housing and Community Services

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**Date:** 1/26/2016

**To:** Housing Stability Council

**From:** Kim Freeman, Single Family  
Section Manager

**Re:** Residential Loan Program

**Background:** State statutes require the Housing Stability Council to establish a single family loan threshold for loans to be review and approved prior to purchase. The current threshold for single family loans includes all loans equal to or greater than 75% of the applicable area program purchase price limit, or \$190,000, whichever is greater.

**Considerations:**

1. The loan(s) under consideration is greater than or equal to 75% of the applicable area program purchase or \$190,000, whichever is greater.
2. Staff has reviewed all of the following loan files and concluded that the borrowers and properties meet all relevant program guidelines for the Residential Loan Program. All required documents have been properly executed, received, and the loans have been approved for purchase. In addition to being approved by staff, the loan files have been underwritten by the applicable lenders and are insured by either FHA (FB), Rural Development (RG), or Uninsured (U) with a loan-to-value of 80% or less.

	Loan Amount	Purchase Price Limit	75% of Purchase Price Limit or Max	Monthly Mortgage Payment
Loan #1	\$247,042.00	\$316,177.00 Targeted Josephine County	\$237,133.00	\$1,581.85
Loan #2	\$279,812.00	\$345,731.00 Non-Targeted Multnomah County	\$259,298.00	\$1,766.35
Loan #3	\$275,742.00	\$316,177.00 Targeted Josephine County	\$237,133.00	\$1,535.68
Loan #4	\$299,465.00	\$345,731.00 Non-Targeted Clackamas County	\$259,298.00	\$2,146.82



**Recommended Motion: Housing Stability Council approves the Consent Calendar**

1	<u>Borrower</u>		<u>Lender</u>	SOUTH PACIFIC FINANCIAL	
	<u>Co-Borrower</u>				
			<u>Purchase Price</u>	251,600.00	<u>Note Amount</u> 247,042.00
<u>Property Address</u>	1600 BLOCK GEORGE TWEED BLVD		<u>Cost Limit</u>	316,177.00	<u>Principal Balance</u> \$ 247,042
	GRANTS PASS	OR 97527	<u>Appr. Value</u>	\$ 254,000	
			<u>Year Built</u>	2015	
<u>Hshld. Income</u>	\$ 49,764		<u>Living Area (Sq. Ft.)</u>	1,624	<u>Loan-to-Value</u> 97%
<u>Income Limit</u>	\$ 84,980		<u>Lot Size (Sq. Ft.)</u>	6,163	<u>Insurance Type</u> FB
<u>% of Income Limit</u>	58.56%		<u>Cost per Sq. Ft.</u>	\$ 154.93	<u>Rate</u> 3.750%
<u>Prior Ownership Yes (Y) or No (N)</u>	N		<u>New (N) or Existing (E)</u>	E	
			<u>Construction Style</u>	One Story	

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2	<u>Borrower</u>		<u>Lender</u>	UMPQUA BANK	
	<u>Co-Borrower</u>				
			<u>Purchase Price</u>	289,000.00	<u>Note Amount</u> 279,812.00
<u>Property Address</u>	500 BLOCK SW CHERRY PARK RD		<u>Cost Limit</u>	345,731.00	<u>Principal Balance</u> \$ 279,812
	TROUTDALE	OR 97060	<u>Appr. Value</u>	\$ 290,000	
			<u>Year Built</u>	2004	
<u>Hshld. Income</u>	\$ 60,576		<u>Living Area (Sq. Ft.)</u>	2,137	<u>Loan-to-Value</u> 96%
<u>Income Limit</u>	\$ 83,280		<u>Lot Size (Sq. Ft.)</u>	7,581	<u>Insurance Type</u> FB
<u>% of Income Limit</u>	72.74%		<u>Cost per Sq. Ft.</u>	\$ 135.24	<u>Rate</u> 3.250%
<u>Prior Ownership Yes (Y) or No (N)</u>	N		<u>New (N) or Existing (E)</u>	E	
			<u>Construction Style</u>	Two Story	

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3	<u>Borrower</u>		<u>Lender</u>	SOUTH PACIFIC FINANCIAL	
	<u>Co-Borrower</u>				
			<u>Purchase Price</u>	286,000.00	<u>Note Amount</u> 275,742.00
<u>Property Address</u>	200 BLOCK POLARIS CIR		<u>Cost Limit</u>	316,177.00	<u>Principal Balance</u> \$ 275,742
	MERLIN	OR 97532	<u>Appr. Value</u>	\$ 290,000	
			<u>Year Built</u>	1980	
<u>Hshld. Income</u>	\$ 46,842		<u>Living Area (Sq. Ft.)</u>	2,094	<u>Loan-to-Value</u> 95%
<u>Income Limit</u>	\$ 84,980		<u>Lot Size (Sq. Ft.)</u>	61,419	<u>Insurance Type</u> FB
<u>% of Income Limit</u>	55.12%		<u>Cost per Sq. Ft.</u>	\$ 136.58	<u>Rate</u> 3.250%
<u>Prior Ownership Yes (Y) or No (N)</u>	N		<u>New (N) or Existing (E)</u>	E	
			<u>Construction Style</u>	One Story	

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4	<u>Borrower</u>		<u>Lender</u>	HOMESTREET BANK	
	<u>Co-Borrower</u>				
			<u>Purchase Price</u>	304,990.00	<u>Note Amount</u> 299,465.00
<u>Property Address</u>	10900 BLOCK SW VERDUN LOOP		<u>Cost Limit</u>	345,731.00	<u>Principal Balance</u> \$ 299,465
	WILSONVILLE	OR 97070	<u>Appr. Value</u>	\$ 305,000	
			<u>Year Built</u>	2015	
<u>Hshld. Income</u>	\$ 61,224		<u>Living Area (Sq. Ft.)</u>	1,484	<u>Loan-to-Value</u> 97%
<u>Income Limit</u>	\$ 97,160		<u>Lot Size (Sq. Ft.)</u>	2,190	<u>Insurance Type</u> FB
<u>% of Income Limit</u>	63.01%		<u>Cost per Sq. Ft.</u>	\$ 205.52	<u>Rate</u> 3.750%
<u>Prior Ownership Yes (Y) or No (N)</u>	N		<u>New (N) or Existing (E)</u>	N	
			<u>Construction Style</u>	Two Story	

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# Oregon

Governor Kate Brown

## Housing and Community Services

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Date: January 28, 2016

To: Housing Stability Council  
Margaret S. Van Vliet, Director

From: Julie V. Cody, Assistant Director Housing Finance

Re: LIFT program design framework

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We have included in the February Housing Stability Council packet for your review the draft LIFT Program Design Framework. This framework was developed based on key direction from the Legislature and the Governor to serve historically underserved rural communities and communities of color with affordable housing, and in particular for families served by DHS. This draft was also developed through extensive engagement with the two established Financial Structuring and Policy Subcommittees of the Housing Stability Council.

OHCS developed this framework with consideration to the major points of deliberation of the group regarding key program structure questions. While these documents do not answer all questions, it is our hope that it will provide the foundation for thorough program execution.

We look forward to the discussion and input from the Housing Stability Council on the key matters of the framework.

Here is a summary of the subcommittees' major points of deliberation and advice; though full consensus was not necessarily reached on each item:

- Unit production, cost containment, and serving very low income DHS families are a priority.
- It is important to deliver fast, however not at the sacrifice of serving the identified priority populations.
- Should focus on new construction of multifamily rental housing.
- Homeownership should not be pursued in this round of funding, but should be considered if LIFT is funded again in the future.
- Important to include representatives of rural communities and communities of color on the scoring committee and in setting project criteria.



- OHCS should be directive in establishing its project selection criteria.
- Collaboration and innovation should be encouraged.
- Mixed income developments should be allowable, though LIFT should only fund those units serving 60% AMI and below.
- State must ensure minimum standards are included regarding project durability and viability.
- Underwriting standards must be in place to ensure the viability of state investment and its ownership and/or operational interest.
- OHCS should allow any avenue for meeting the ownership or operational requirements of the Article XI-Q bonds that adequately covers the risk to the state.
- Recommend allowing the use of the operational path as well as fee simple interest with a lease to the developer where the State's interest is not subordinated.
- Leveraging 4% LIHTC should be allowable where possible, though not a requirement.
- Statewide coverage is important; it is not recommended to set geographic allocations.
- A NOFA process will be the most expedient way to deliver housing.
- Households should be able to stay in the unit even if they earn above the income limits; program should include a next available unit rule to protect overall project affordability.
- Important to document outcomes and innovative strategies executed.

# Housing Stability Council DRAFT

## LIFT Program Design Framework

January 28, 2016



The Local Innovation and Fast Track (LIFT) Housing Program's objective is to build new affordable housing for low income households, especially families. In 2015, the Oregon Legislature committed \$40 million of general obligation Article XI-Q bonds to fund the program, a new source of affordable housing dollars. Using this new flexible funding source will allow Oregon Housing and Community Services and its partners to test innovative strategies and create a modern model of affordable housing development, building upon years of experience, expertise, and success.

Oregon Housing and Community Services (OHCS) has been working with the Housing Stability Council to develop a plan to efficiently use the newly committed funds and maximize the impact it will have in communities across the state. Key to LIFT program design was identifying an effective way to use the Article XI-Q bond funding for housing development; these funds require the state to own or operate any real property development that utilizes this resource which is not usually done with housing development investments historically made by the state. In August 2015, the Housing Stability Council created two sub-committees to develop recommendations. . The following LIFT Program Design Framework has been developed by OHCS using the input and feedback from the assembled Policy and Financial sub-committees to create the most efficient, responsive, and impactful program using the identified Article XI-Q bond funds.

### **Program Outcome and Output Goals:**

Given direction provided through the legislative process, the stakeholder process, and guidance from Governor Brown, OHCS hopes to achieve several outcome and output goals related to the type and number of units produced, as well as the expected outcomes for the households who will live in the units:

1. More affordable rental housing units available in rural communities with population under 25,000.
2. More affordable rental housing units available that serve communities of color.
3. Vulnerable households are stabilized, measured through:
  - a. Length of time a household lives in a LIFT housing unit.
  - b. Number of moves residents had in the previous 12 months.
  - c. Measures specific to families referred through DHS:
    - i. Re-abuse / Re-entry rates for the families in the child welfare system.
    - ii. To be determined measure related to families on TANF.
4. Innovative and replicable cost containment strategies developed and implemented.
5. Units available as quickly as possible.
6. Increase in affordable housing inventory by a least 1,250 units.

# Housing Stability Council DRAFT

## LIFT Program Design Framework

January 28, 2016

### Program Framework

OHCS will utilize the following framework to determine funding allocation between identified priority populations and funding paths. OHCS will utilize a “soft set-aside” meaning that these percentages will be flexible depending on applications received and dollars requested:

#### 1. LIFT funds allocation methodology

- a. 50% of the funds will be allocated to rural communities, which are limited to either:
  - i. Communities with population under 25,000 outside of the Portland Metro Urban Growth Boundary.
- b. 50% of the funds will be allocated to prioritize serving communities of color, which should include:
  - i. A project that is sited to prioritize housing opportunity for communities of color by serving to prevent or address displacement.
  - ii. A demonstrated partnership with a culturally specific organization through an executed Memorandum of Understanding or an organization with diverse and representative leadership. The developer 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.
- c. OHCS will seek to have geographic diversity when awarding projects.

#### 2. LIFT funding paths

- a. OHCS will have a target of 50% of funds for each of two potential focuses. OHCS will allow flexibility depending on applications received. The two focuses are:
  - i. Forming partnerships with Oregon Department of Human Services district offices in order to serve program participants, namely those in Child Welfare or Self-Sufficiency (TANF) Programs.
  - ii. Innovation and cost containment. This includes the use of alternative construction methodologies, new construction strategies, substantial cost containment in traditional affordable housing development, or other strategies with demonstrated impact.

# Housing Stability Council DRAFT

## LIFT Program Design Framework

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3. Solicitation for projects will be conducted through a streamlined competitive notice of funding availability.
  - a. All applications would need to meet the stated minimum requirements.
  - b. A scoring committee made up of OHCS staff, DHS staff, and representatives from communities of color, rural communities, and affordable housing experts would be assembled to review all applications that have met the minimum requirements.
  - c. Projects would then be ranked within each allocated pool of funds based on selection criteria within the funding program targets.
  - d. The scoring committee would provide a funding recommendation to the OHCS Director.
  - e. The OHCS Director would make a final funding recommendation to the Housing Stability Council for approval of projects, including the level of funds for each project.

# Housing Stability Council DRAFT

## LIFT Program Design Framework

January 28, 2016

### Minimum Requirements (all paths):

All projects must meet the following minimum requirements to be reviewed. In many criteria, OHCS will have a preference for exceeding these minimum requirements. Additional information about preferences follows this section.

1. Maximum LIFT subsidy per unit: \$32,000
  - a. OHCS does not intend to contribute other state grant resources. If an applicant wishes to, they may pursue using 4% Low Income Housing Tax Credits if the project can support it and the added costs are reasonable.
2. Minimum affordability period of 20 years from the time the project is placed in service, or the length of time the Article XI Q Bonds are outstanding, whichever is longer.
3. 100% of the newly constructed units financed with Article XI Q Bonds will be available for households earning at or below 60% area median income at the time of initial lease. Tenants may stay in their unit regardless of future income. If a project is structured to serve mixed income residents, including units targeting households with incomes greater than 60% AMI, OHCS will establish a next available unit rule and rules regarding rents for low income tenants who become over-income. This will ensure that the number of affordable units OHCS invested in will remain affordable during the affordability period.
4. Maximum rents allowable for 100% of the units financed with Article XI Q Bonds will be based on 60% HUD Area Median Income.
5. Minimum Construction Standards:
  - a. Methods: both traditional and alternative methods of construction are allowable, construction which is innovative or contains costs is encouraged.
  - b. Quality: Construction that balances initial cost of building with on-going cost of operation for both the building owner and the tenants (energy standards).
  - c. Durability: 30 year building standards.
  - d. Other Requirements: Based on rules and regulations of other programs and/or funding sources brought to the project to cover the cost of construction and/or provide on-going operating subsidy.
6. Units to be sited, planned, permitted, constructed, and ready for initial lease-up within 30 months of LIFT funding reservation.

# Housing Stability Council DRAFT

## LIFT Program Design Framework

January 28, 2016

7. Development team which includes experience with the development and operation of affordable housing, and target tenant population; and knowledge of proposed innovative housing strategies.
8. Underwriting guidelines will be adopted in order to manage the risk of ownership or operation and anticipate minimum requirements of other potential funding sources. Such guidelines will include matters such as loan-to-value, debt coverage, expense ratios, and reserve requirements.
9. Development work compensation through a developer fee will be at a rate less than allowed through federal tax credit projects in the spirit of cost containment.
10. Compliance monitoring throughout the period of affordability will be minimal while managing risk to the State. It will include:
  - a. Initial household income verification;
  - b. Annual income verification through self-certification. If a project is structured to serve mixed incomes, including units for households earning above 60% AMI;
  - c. Risk-based physical inspections 1-3 years based on property condition; and
  - d. Other Requirements: Based on rules and regulations of other programs, funding sources brought to the project to cover the cost of construction, and provide on-going operating subsidy.
11. Fulfilling the requirements of the Article XI Q Bonds will occur either through adopting a structure to ensure OHCS functions as either the owner or operator of the property. We have identified two structures which satisfy these requirements:
  - a. Operational structure:
    - i. The State of Oregon, by and through Oregon Housing and Community Services (OHCS), would be a limited partner or member, or special limited partner, or member of a single asset entity Limited Partnership, or a Limited Liability Corporation.
    - ii. OHCS would be provided certain rights over including but not limited to the hiring and firing of the property management firm, setting of rents, initial lease up, and use of reserves.
    - iii. In order to ensure OHCS' contribution to the project is structured appropriately to meet the legal and tax definitions of equity, LIFT funds will go into the project as a limited partner equity contribution. This structure will require OHCS to articulate an exit strategy. The exit

# Housing Stability Council DRAFT

## LIFT Program Design Framework

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strategy will be utilized at a point in the future, after the initial affordability period, at which time OHCS will step out of the ownership and operations of the project.

- b. Ownership (Fee Simple) structure:
  - i. The State of Oregon, by and through OHCS, would utilize Article XI Q Bonds to purchase land on which a multifamily affordable project would be built.
  - ii. OHCS would enter into a long term ground lease with the sponsor of the multifamily affordable housing project.
  - iii. The land lease would not be subordinated to a lender, investor, or other party in the multifamily affordable housing project.

### **Selection Criteria (all paths):**

Projects that meet or exceed the above minimum requirements will be ranked based on clearly laid out selection criteria, which will be further developed in the solicitation. Below are some initial selection criteria:

1. Projects serving the lowest average area median income households at the lowest average area median income rents to the tenants.
2. Lower LIFT subsidy per unit.
3. Preference to projects with the shortest development period, (units to be sited, planned, permitted, constructed, and ready for initial lease-up); less than the minimum threshold of 30 months.
4. Plans to address equity and diversity in the project through the use of Minority, Women and Emerging Small Business (MWESB) contracting, sub-contracting, and professional services.
5. Documented partnerships with one or more of the following: DHS field office, local Public Housing Authority, Community Action Agency, culturally specific service providers, and/or other service providers to provide rental assistance and/or appropriate resident services to the proposed project that meet the needs of the identified target population at little or no cost to the project operations.

# Housing Stability Council DRAFT

## LIFT Program Design Framework

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### **Additional Minimum Requirements: Serving DHS Clients**

For projects which chose to serve DHS clients either in the Child Welfare or TANF systems, the projects must also meet the following minimum requirements:

1. Ability to serve DHS tenants earning 0-60% median income. The project must set aside the greater of 10% of the units or 5 units in a project. This can be done through a local commitment from a Public Housing Authority for Housing Choice (HUD Section 8) vouchers, another source of long term rent assistance, or the ability to establish project rents where the DHS client pays up to 30% of their income until they reach 60% AMI.

### **Additional Selection Criteria: Serving DHS clients**

1. Located in communities with high needs. Subcommittees are recommending a formula to determine community need based on the following factors: nonwhite and Hispanic poverty rate, family poverty rate, child abuse and neglect victim rate, extremely low income households with severe housing problems, and areas of high needs as identified by DHS based on caseload.
2. Ability to serve DHS clients earning 0-60% median income in more than the required 10% of units.
3. Local partnerships and support for clients as they move out of DHS programs.
4. Location near community colleges, schools, employment.
5. Flexible resident screening criteria in order to remove barriers for DHS clients.

### **Additional Minimum Requirements: Innovation and Cost Containment**

For projects that chose to meet the innovation or cost containment requirement, they must meet the following additional minimum requirements:

1. Cost containment target for total development cost, excluding land and additional costs associated with OHCS ownership or operating structure, not to exceed industry costs of market development based on the per square foot cost as reported in RS Means data, based on location and project type.

### **Additional Selection Criteria: Innovation and Cost Containment**

1. Located in communities with high needs. Subcommittees are recommending a formula to determine community need based on the following factors: nonwhite and Hispanic poverty rate, family poverty rate, child abuse and neglect victim rate, and extremely low income households with severe housing problems.

# Housing Stability Council DRAFT

## LIFT Program Design Framework

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2. Lower total development cost per square foot, excluding land and costs associated with OHCS ownership or operating structure in comparison to the per square foot cost as reported in RS Means data, based on location and project type.
3. Demonstration of innovative building design or innovative alternative construction methodology, a development strategy to lower costs, and/or to provide the housing resource in an expedited timeline.
4. Demonstrated efficiency and replicability of building development strategy.
5. Ability to serve lower incomes (30% of AMI up to 50% of AMI) and provide such units to DHS clients at initial lease-up.

### Possible Motions:

1. Move to accept the recommendations of the LIFT Subcommittees and direct Housing and Community Services to move forward on implementation of the program.
2. Move to accept the recommendations of the LIFT Subcommittees with the following changes: \_\_\_\_, and direct Housing and Community Services to move forward on implementation of the program.

**Multifamily Funds Available for Gap Financing**

<b>Estimated Annual Revenue (net of admin)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Notes</b>
Lottery-backed Bonds - Preservation	\$ 2,500,000	\$ -	\$ -	Lottery-backed bonds from 2015 Session; Sale anticipated Spring 2017
HDGP - Development	\$ 4,502,326	\$ 4,502,326	\$ 4,502,326	Based on 2013-2015 PPC/CORPUS earnings + anticipated other revenues - admin expenses
GHAP - Development	\$ 6,531,549	\$ 6,531,549	\$ 6,531,549	Based on 2015 DRF Receipts + anticipated other revenues - admin expenses
GHAP - Veterans	\$ 2,542,896	\$ 2,542,896	\$ 2,542,896	Based on 2015 DRF Receipts - admin expenses
GHAP - Capacity Building	\$ 803,651	\$ 803,651	\$ 803,651	Based on 2015 Revenue Receipts
<b>Total</b>	<b>\$ 16,880,422</b>	<b>\$ 14,380,422</b>	<b>\$ 14,380,422</b>	
<b>Funds Available by Activity</b>				
Beginning Fund Uncommitted Balance	\$ 500,000	\$ -	\$ -	
Development	\$ 11,033,875	\$ 11,033,875	\$ 11,033,875	HDGP and GHAP
Preservation	\$ 2,500,000	\$ -	\$ -	Lottery-backed bonds
Veterans	\$ 2,542,896	\$ 2,542,896	\$ 2,542,896	GHAP
Capacity Building	\$ 803,651	\$ 803,651	\$ 803,651	GHAP
<b>Total</b>	<b>\$ 17,380,422</b>	<b>\$ 14,380,422</b>	<b>\$ 14,380,422</b>	