

Oregon Housing and Community Services

2023 Legislative Session



Pre-Development Loan Program - \$9.7 million

Pre-development loans are used to finance early-stage affordable housing developments, such as architectural and engineering work or traffic and feasibility studies necessary to advance a development to the construction stage. Many state Housing Finance Agencies, including OHCS, have operated pre-development loan programs to foster, support, and invest in a pipeline of viable affordable rental housing developments. These funds could support the development of 2,000 to 3,500 homes towards the Governor’s annual goal of 36,000 more housing units per year. As OHCS works to improve development application processes and moves toward funding developments that are closer to construction readiness, this investment will support the reach of federal and state resources to all corners of the state.

Background

OHCS had previously offered targeted pre-development resources with limited resources. These funds were insufficient, and OHCS shifted to allow critical project due diligence to occur *after* the project received final and full reservation of resources to fund the project development. However, in the current environment with market volatility and increasing costs, providing a reservation of resources early in a development process has led to unpredictable funding gaps. By the time projects are ready to move forward with construction, the forecasted costs do not align with new development market realities. OHCS intends to shift funding reservation closer to a viable construction start date, meaning affordable rental housing developments will be less vulnerable to market volatility. To enable this shift, OHCS must reinstate a Pre-Development Program to ensure projects across the state can reach the final funding stage.

Policy Solutions

Providing pre-development resources can help foster and expand a robust and predictable pipeline of affordable housing developments. Given the substantial cost of predevelopment activities, small, rural, and culturally specific development partners will need early resources to continue to grow in their ability to develop housing. This is critical for meeting our policy objectives and equity and racial justice goals. Pre-development resources would be repaid at construction financing and include an interest rate, allowing OHCS to reinvest resources for future developments and administer the program. Elements of the Pre-Development Loan Program may include modest investments to cover early feasibility on development projects, larger structured loans based on early financials and conceptual drawings, predevelopment lines of credit, and technical assistance loans.

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