

Housing Stability Council – 2/3/2022

LIFT 2021-23 Program Design Framework

The objective of the Local Innovation and Fast Track (LIFT) Housing Program is to build new affordable housing for low-income households, especially families. In 2017, the Oregon Legislature committed the first general obligation Article XI-Q bonds to fund the LIFT program. Since then, the Oregon Legislature has committed approximately \$680 million in Article XI-Q bonds, with \$303.5 million allocated for funding opportunities in the 2021/2023 biennium.

This document will be used to establish fund offerings for the allocation of these resources for the 2021-23 biennium.

Program Goals and Outcome Measures:

The primary goals of the LIFT program are:

1. Create a large number of new affordable family-sized housing units to serve low-income Oregonian families.
2. Serve historically underserved communities, including communities of color and rural communities throughout Oregon.

Secondary goals of the LIFT program are:

1. To place affordable housing units in operation as quickly as possible.
2. To serve families earning at or below 60% Area Median Income (AMI) through rental housing and to serve families earning at or below 80% AMI through homeownership housing; focusing on service connections including but not limited to those from the Oregon Department of Human Services (DHS) child welfare or family self-sufficiency programs, Community Action Agencies, Coordinated Care Organizations, culturally specific organizationsⁱ, culturally responsive organizationsⁱⁱ, and Homeownership Centers.

Outcome measures of the LIFT program are:

1. Increase in affordable housing inventory; measured by the number of new units built.
 - a. More affordable housing units available in rural communities.
 - b. More affordable housing units specifically focused on serving communities of color
2. Implement construction cost evaluation; measured through comparison of the construction costs for projects funded with LIFT proceeds to traditional housing construction costs, such as RS Means.

¹ Due to length, definitions for culturally specific organizations and culturally responsive organizations are located at the end of this document.

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LIFT 2021-23 Fund Allocations and Rental and Homeownership Set-Asides

OHCS was awarded a total of \$303.5 million in Article XI-Q bonds for the LIFT program. These funds will be allocated to OHCS in two different \$151.75 million bond sales of anticipated for spring 2022 and spring 2023. In total, 80 percent of the LIFT funds will be set-aside to develop multifamily rental housing opportunities, and 20 percent will be set-aside to develop homeownership opportunities.

If either of the next offerings (Rental and Homeownership) are undersubscribed and the other is oversubscribed, OHCS reserves the right to move funding from the undersubscribed offering to the oversubscribed offering in order to fund additional projects and reserve as much of the LIFT funding as possible.

Serving Historically Underserved Communities

To meet the statutory goals of LIFT and to further OHCS' policy priorities around racial equity, all projects, in both rural and urban areas, are required to serve communities of color.

Set-asides – Urban/Mid-sized Urban/Rural/Culturally Specific & Tribes

Half of the LIFT funds will be set-aside to serve rural communities, 25% will be set aside for urban communities, and 25% will be set-aside for mid-sized urban communities. This change is in response to a recurring issue that has been brought up by various communities located inside a Metropolitan Statistical Area (MSA) but outside the Portland Metro Urban Growth Boundary, with populations above 15,000. To date, projects located in these areas were competing for funding in the Urban set-aside against projects located in the Portland Metro area, which generally has many more resources available to developers. Because of these resources, projects in the Metro area often request less subsidy and therefore score more competitively. As in previous years, if there are not enough viable applications to utilize all resources within any set-aside, funds will be moved to a general pool and will be used to score eligible projects from other set-asides.

Projects will be scored against projects in the same geographic pool.

Set Asides	Amount	
Urban	25%	15% culturally specific/tribal sponsored
Mid-sized Urban	25%	
Rural	50%	

1. Rural communities are defined as Oregon communities outside the Portland Metro Urban Growth Boundary with a population of 15,000 or less in counties within Metropolitan Statistical Areas (currently listed as Benton, Clackamas, Columbia, Deschutes, Jackson,

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Josephine, Linn, Lane, Marion, Multnomah, Polk, Washington and Yamhill Counties) and communities with a population of 40,000 or less in the balance of the state.

2. Mid-sized urban communities are defined as those communities outside the Portland Metro Urban Growth Boundary, that are located in Metropolitan Statistical Areas (as described above) with populations between 15,000 and 40,000.
3. Urban communities include all locations that do not meet the criteria for Rural communities as defined above. *All Communities within the Portland Metro Urban Growth Boundary are considered Urban and not considered Rural regardless of size.*

A set aside for projects sponsored by Culturally Specific Organizations² (CSO) or by Federally Recognized Tribes³ (FRT) cuts across the Urban, Mid-sized Urban, and Rural categories to further OHCS' policy prioritize racial equity within the NOFA. This set aside applies to projects where the developer, sponsor or manager of the property is a culturally specific or Tribal-led organization.

As this is an overlay set-aside, if no CSO or FRT apply, no funds would be allocated under this set aside. If multiple applicants that meet the definition of CSO or FRT apply, the first 15% of funding of requested, regardless of location would be awarded, based on meeting threshold and scoring requirements.

Service to Communities of Color

As discussed above, all projects must demonstrate efforts to serve communities of color to be eligible for LIFT funding. Service to communities of color can be achieved in a number of ways and should be relevant to the community in which the project is located and the focus population anticipated to be served. OHCS recognizes that these approaches may look very different in urban communities, which could have a larger array of culturally specific or responsive developers or service providers in close proximity, than in rural communities where such organizations may not be as present. Furthermore, we are aware that some communities are more diverse than others and the outreach strategies must be tailored appropriately. Any approach that is chosen must include intentional and meaningful engagement of communities of color in services planning for the development.

1. All LIFT projects are required to adhere to OHCS's Minority, Women-Owned, Emerging Small Business and Service-Disabled Veteran Business Enterprises (MWESB/SDVBE) COBID Compliance Manual in order to further equity, racial justice, and diversity in the project.

² See definition footnote at end of this document.

³ Due to the Constitutional requirements of Article XI-Q bonds, LIFT is unable to be used on Tribal lands, but can be used off Tribal lands for Tribal-led developments.

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2. Each sponsor is required to sign a Diversity, Equity, and Inclusion (DEI) agreement. This is a minimum requirement item and will be discussed further in that section.
3. All Rental applications must score a minimum of 8 points in the 'Serving Communities of Color' category in order to be considered for funding. All Homeownership applications must score a minimum of 5 points in the 'Serving Communities of Color' category in order to be considered for funding.
4. OHCS will assign scoring to the factors below that show service to communities of color:
 - i. An ongoing service partnership with a culturally specific or culturally responsive organization (applies to rental projects only)
 - ii. A project explicitly designed and located to address displacement of communities of color
 - iii. Agreements with area service providers to engage in culturally appropriate services

Note: It is not expected that a single project would incorporate all the criteria listed above, however Memoranda of Understanding will be required to show the service provided.

Project selection

A solicitation for projects will be conducted through a streamlined competitive notice of funding availability (NOFA); there will be separate applications developed for LIFT Rental activities and LIFT Homeownership activities. There will be an associated application charge for all LIFT 2021-23 applications, and a 1.5% reservation charge for awarded applications per the OHCS charges structure. A maximum of two projects per Developer/Sponsor will be considered per NOFA cycle.

1. All applications need to meet threshold requirements as summarized below and articulated in the NOFA to move forward to competitive scoring.
2. A scoring committee (Committee) comprised of representatives from communities of color, rural communities, OHCS and DHS leadership, and other relevant policy and development expertise will be assembled to review all applications that have met the threshold requirements.
3. The job of the Committee will be to rate and rank project applications, and to make funding recommendations to the Executive Director of OHCS.
4. The Executive Director of OHCS will review the recommendations of the Committee, and reserves the right to modify the recommendations before making a final funding recommendation to the Housing Stability Council.

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Minimum (Threshold) Requirements

All projects must meet the following threshold requirements to be eligible for competitive scoring. In some cases, OHCS will have a preference for exceeding these minimum requirements which are detailed below under selection criteria.

1. A complete NOFA application with all required exhibits received by OHCS by the Application due date and time. Late submissions will not meet threshold.
 - a. This includes Applicant's Owner/Board of Director's Authorization and Acceptance Form, Organizational Documents for Applicant and any co-Applicant, Zoning Form, DEI Commitment Form, Ownership Integrity Form, and all pre-application requirements including site review checklist with all exhibits.
 - i. Ownership Integrity: A signed agreement that the Applicant nor any member/principal within the project has been convicted of fraud, misrepresentation, theft, or other moral turpitude within the last 10 years, nor been involved in a bankruptcy proceeding in the last 5 years, nor been debarred or otherwise sanctioned by OHCS.
 - I. For LIFT Rental, this also includes agreement that the Project will be owned as a Single-Asset Entity.
 - b. Application checks must be postmarked by the NOFA application due date. If upon receipt the check was postmarked after the NOFA application due date, the project will be considered nonresponsive and will not move to scoring.
2. LIFT Subsidy: The LIFT subsidy request must not exceed the amount of total subsidy allowed for the project. If the subsidy request exceeds that amount, OR if the application requests any funds not offered through the NOFA, the project will not pass threshold.
 - a. For LIFT Rental, OHCS will also make the following sources of funding available in the NOFA:
 - i. OAHTCs will be available where they result in deep rent skewing, serving households at or below 50% AMI.
 - ii. Multifamily rental housing projects may utilize 4% Low Income Housing Tax Credits (LIHTC) and Conduit Bond Program. If applicant chooses to do so, all components of the 4% LIHTC / Bond program, including project feasibility review and due diligence associated with the 4% LIHTC / Bond program, will apply; upon reservation of LIFT funds the 4% LIHTC / Bond timeline will be determined.

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- b. The LIFT Rental program includes a separate subsidy for projects that don't utilize the 4% LIHTC and Conduit Bond Program.
3. Readiness to Proceed: OHCS requires that Projects are planned at the time of Application and are ready to proceed upon meeting all Reservation Letter requirements. Not abiding by established milestone deadlines in good faith will result in OHCS rescinding the funding reservation. A guiding principle of LIFT is the expedient delivery of housing to serve Oregonians; submitted projects must be able to move forward in a timely and responsive manner.
 - a. LIFT Rental units must be ready for initial lease-up within 36 months of a LIFT funding reservation.
 - b. LIFT Homeownership units must be ready for initial sale within 36 months of a LIFT funding reservation.
4. Financial Viability: The Project's development proforma needs to include realistic and available resources on the sources of funding. All non-OHCS capital funds must be reserved or awarded prior to NOFA application submission, and project sources & uses must balance, otherwise the project will not meet threshold.
 - a. For LIFT Rental, the operating budget of the proforma will be reviewed. OHCS will review loan-to-value, debt coverage, expense ratios, and reserve requirements to ensure a positive cash flow remains through the 30-year proforma period.
 - b. For LIFT Homeownership these will include verification of the expected construction budget, valuation of land, operating budget, and other market considerations.

Selection Criteria for LIFT Rental Applications:

Urban, mid-sized urban, and rural criteria will differ in implementation in order to effectively target resources.

Projects that meet or exceed the minimum requirements outlined will be ranked based on clear selection criteria, which will be further discussed in the NOFA solicitation. Below are some initial selection criteria for primary consideration applications:

1. Scaled preference points and subsidy amounts will be awarded for family-sized units:
 - a. LIFT Rental Subsidy:
 - i. LIFT Rental Applicants may request up to the following maximum subsidies based on location and bedroom size for projects planning on utilizing 4% LIHTC and Conduit Bond financing:

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	Studio	1 Bedroom	2 Bedroom	3 Bedroom ⁴
Urban	\$60,000	\$100,000	\$130,000	\$160,000
Mid-Sized Urban	\$75,000	\$125,000	\$165,000	\$205,000
Rural	\$90,000	\$150,000	\$200,000	\$250,000

- ii. LIFT Rental Applicants may request up to the following maximum subsidies based on location and bedroom size for small projects **not** utilizing 4% LIHTC and Conduit Bond financing:

	Studio	1 Bedroom	2 Bedroom	3 Bedroom ⁵
Urban/Mid-Sized Urban	\$90,000	\$150,000	\$210,000	\$270,000
Rural	\$110,000	\$170,000	\$230,000	\$290,000

- b. Scoring based on maximum subsidies will be as follows:

Subsidy Request	Points	
	<i>Urban or Mid-Sized Urban</i>	<i>Rural</i>
85% of maximum subsidy	15	15
90% of maximum subsidy	10	10
95% of maximum subsidy	5	10
More than 95% of maximum subsidy	0	5

- Demonstration of readiness to proceed; points will be given to projects that can demonstrate they are ready to move forward with the development process in a short time frame, this is demonstrated by providing all relevant information promptly and completely.
- Service to Communities of Color, including demonstration of established partnerships through signed Memoranda of Understanding (MOU), for service with DHS, community

⁴ For units larger than 3 bedrooms, an additional \$20,000 per bedroom is added to the subsidy maximum.

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action agencies, coordinated care organization, or other service organizations including culturally specific or culturally responsive organizations serving clients earning at or below 60% AMI.

- a. Signed MOUs with service providers are required to score points in this section.
 - b. Provide narratives about historically underserved communities of color from the area the project is located in.
 - c. Submit a relevant marketing and outreach plan designed to publicize the availability of new housing opportunities created by the project to communities of color in the applicant's service area. Also it should address any barrier that communities of color might encounter in applying for and accessing housing, and to affirmatively further fair housing.
4. Rents affordable to households at lower AMI.
 5. Demonstration of construction costs that are lower than comparable industry norms.
 6. Narrative demonstrating innovation, efficiency and replicability of building development or finance strategy.
 7. Adherence to OHCS's Minority, Women, and Emerging Small Business (MWESB) COBID Compliance Manual in order to further equity, racial justice, and diversity in the project.
 8. Demonstration of financial viability – including well documented and explained construction costs in the development proforma, and reasonable request and demonstrated need for resources under the operating budget.
 9. Narrative demonstrating the current capacity of the development team, including understanding of development dynamics.
 10. Demonstration of existing portfolio compliance.

Selection Criteria for Homeownership Applications:

Urban, mid-sized urban, and rural criteria will differ in implementation to effectively target resources.

Projects that meet or exceed the threshold requirements outlined will be ranked based on clear selection criteria, which will be further discussed in the NOFA solicitation. Below are some initial selection criteria for primary consideration applications:

1. Requested loan amount supported by valuation of land or land and infrastructure provided at application. Where appraisals are not able to be provided by application submission date, requests above the Real Market Value or Assessed Value (required to

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be provided at application) will be considered only if the applicant is able to guarantee coverage of any gap in the requested LIFT loan amount due to an appraisal coming in lower than the LIFT request. Acceptable forms of gap coverage are cash or a loan.

- a. LIFT loans can only be secured against the land used for the project
2. Preference for lower subsidy per unit; preference points will be given to those projects requiring less LIFT subsidy per unit within the allowable per-unit caps as established above.
 - a. A maximum subsidy of \$115,000 per LIFT homeownership unit
 - i. Projects requesting \$75,000 per LIFT unit or less will be attributed with 15 points in the application process
 - ii. Projects requesting \$75,001 - \$100,000 per LIFT unit or less will be attributed with 10 points in the application process
 - iii. Projects requesting \$100,001 - \$115,000 per LIFT unit or less will be attributed with 5 points in the application process
 3. Demonstration of readiness to proceed; points will be given to those projects that can demonstrate they are ready to move forward with the development process in a short time frame, part of this demonstration is providing all relevant information promptly and completely.
 4. Demonstration of construction costs that are lower than comparable industry norms.
 5. Narrative demonstrating innovation, efficiency and replicability of building development strategy or financing.
 6. Adherence to OHCS's Minority, Women, and/or Emerging Small Business (MWESB) Compliance Manual to further equity, racial justice, and diversity in the project.
 7. Demonstration of financial viability – including committed funding sources and/or a letter of interest (LOI) from construction lender, project costs substantiated and reasonable, and evidence of market for project with lenders for future homebuyer mortgages.
 8. Narrative demonstrating the current capacity of the development team, including understanding of development dynamics.
 9. Narrative demonstrating the capacity of the identified community land trust or condo management group.

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10. Serving communities of color via established partnerships (though MOUs) with Homeownership Centers and other service providers pre and post purchase homeownership counseling and support.
 - a. Signed MOUS with service providers are required to score points in this section.
 - b. Provide narratives about historically underserved communities of color from the area the project is located in.
 - c. Submit a relevant marketing and outreach plan designed to publicize the availability of new housing opportunities created by the project to communities of color in the applicant's service area. Also, it should address any barriers that communities of color might encounter in applying for and accessing housing, and to affirmatively further fair housing.

11. The land for condominiums must be owned at closing by the party who is receiving the LIFT loan

ⁱ Definition: Culturally Specific Organization: a non-profit organization designed to serve historically underserved communities least likely to apply for housing occupancy and that is representative of a community or significant segments of a community; provides affordable housing to very low- and low-income households; and can demonstrate primary target populations served to be 'least likely to apply', meaning there is an identifiable presence of a specific demographic group in the housing market area, but members of that group are not likely to apply for the housing without targeted outreach, including marketing materials in other languages for limited English proficient individuals, and alternative formats for persons with disabilities. Reasons for not applying may include, but are not limited to, insufficient information about housing opportunities, language barriers, or transportation impediments.

ⁱⁱ Definition: Culturally Responsive Organization: means an entity that comprehensively addresses power relationships throughout the organization, from the types of services it provides and how it maximizes language accessibility to its human resources practices-who it hires, how they are skilled, prepared and held accountable, to its cultural norms, its governance structures and policies, and its track record in addressing conflicts and dynamics of inclusion and exclusion, to its relationships with racial groups in the region, including its responsiveness to expectations. A Culturally Responsive Organization is one that is dynamic, on a committed path to improvement and one that is hardwired to be responsive to the interests of Communities of Color, service users of color and staff of color. Culturally responsive organizations hire and train culturally and linguistically diverse staff to meet the needs of the diverse communities they serve. *Adapted from Curry-Stevens, Ann, Marie-Elena Reyes & Coalition of Communities of Color (2014). Protocol for Culturally Responsive Organizations*