

DISCUSSION DRAFT
LIFT Program Design Strawman
January 11, 2016

Program Outcome Goals: [may need further discussion / language from DHS]

1. More affordable units available in rural communities with population under 25,000.
2. More affordable units available that serve communities of color.
3. Vulnerable households stabilized.
 - a. Length of time in new housing unit.
 - b. Number of moves in the previous 12 months.
 - c. Increases to income.
 - d. Ability to move off of TANF or successfully leave the child welfare system.
 - e. Positive move outs (percentage).
 - f. DHS Measures:
 - i. Re-abuse / Re-entry rates for the families.
 - ii. TBD TANF measure. Innovative and replicable cost containment strategies developed and implemented.
4. Units available as quickly as possible.
5. Increase in affordable housing inventory by a least 1,250 units.

Program Framework

1. Ownership and operating structure must meet the requirements of Article XI Q Bonds.
 - a. 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 Limited Liability Corporation.
 - b. 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.
 - c. 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 will require OHCS to articulate an exit strategy that will be utilized at a point in the future for OHCS to step out of the ownership and operations of the project that will need to continue to meet the requirements of equity.
2. Solicitation for projects to be conducted through a streamlined competitive notice of funding availability.
 - a. All applications would need to meet the Minimum Requirements.

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- b. A scoring committee made up of OHCS staff, DHS staff, and affordable housing experts would be assembled to review all applications that have met the Minimum Requirements.
 - c. Projects would then be ranked based on Selection Criteria within the soft set-asides.
 - d. The scoring committee would provide a recommendation to the OHCS Director.
 - e. The OHCS Director, or delegated staff, would make a final funding recommendation to the Housing Stability Council for approval of projects and funding level.
3. LIFT funds allocation methodology (soft)
- a. 50% of the funds allocated to rural communities:
 - i. Communities with population under 25,000
 - b. 50% of the funds allocated to serve communities of color:
 - i. Project siting that prioritizes housing opportunity for communities of color that serves to prevent or address displacement.
 - ii. Demonstrate a partnership with a culturally specific organization through an executed Memorandum of Understanding and through a marketing and outreach plan designed to address the needs of communities of color and affirmatively further fair housing.
 - iii. OHCS will look to have geographic diversity when awarding projects; for example rural / urban, in metropolitan and non-metropolitan communities. [This will be an area to explicitly discuss with the subcommittees]
4. LIFT funding paths
- a. Soft target of 50% of funds for each of:
 - i. Serving Oregon Department of Human Services program participants; namely those in Child Welfare / Self-Sufficiency Programs.
 - ii. Innovation / Cost Containment.

Minimum Requirements – all paths

- 1. Maximum LIFT subsidy per unit - \$32,000
- 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 anticipated to be outstanding, whichever is longer.

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3. 100% of the newly constructed units 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.

QUESTIONS: Should we allow mixed income above 60%? & Should acquisition/rehab projects be considered as allowable?

4. Maximum rents allowable for 100% of the units will be based on 60% HUD Area Median Income and held harmless to decreases (multifamily tax subsidy program published income and rent limits).
5. Construction Standards:
 - a. Methods – both traditional and alternative methods of construction of allowable.
 - 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 36 months of LIFT funding reservation.
7. Development Team experienced with the development and operation of affordable housing; target tenant population; and proposed innovative housing strategies.
8. Underwriting Guidelines adopted in order to manage the risk of ownership and anticipate minimum requirements of other potential funding sources:
 - a. Maximum loan to value of 75% on all must pay debt.
 - b. Minimum debt service coverage ratio of 1.20 on all must pay debt.
 - c. 7% vacancy factor.
 - d. 2% escalation of rents and 3% escalation of expenses.
 - e. Capitalized operating reserve equal to six (6) months operating expenses and debt service.
 - f. Minimum annual replacement reserve deposit of \$450 per unit.

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9. Developer Fee as specified in the table below; calculated as the Developer Fee plus Consultant Fees divided by the Total Project cost minus Acquisition, Developer Fee, Consultant Fees and Capitalized Reserves.

Developer Fee **PLUS** Consultant Fee

Total Project Cost **MINUS** Acquisition, Developer Fee, Consultant Fee, Capitalized Reserves

Project Size	New Construction	4% LIHTC New Construction
<31 Units	13%	15%
31-75 Units	11%	13%
76-100 Units	9%	11%
100+ Units	7%	9%

10. Compliance Monitoring throughout the period of affordability.
- a. Initial household income verification.
 - b. Annual income verification through self-certification. [Question: if we are looking to allow for mixed income projects that have units above 60% AMI, the language will need to be augmented]
 - c. Risk-based physical inspections 1-3 years based on property condition.
 - 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.

Minimum Requirements – Serving DHS Clients

1. Ability to serve DHS tenants earning 0-60% median income in the greater of 10% of the units in a project or 5 units; this can be done through a local commitment from Housing Authorities 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.

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Minimum Requirements – Innovation / Cost Containment

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

Selection Criteria – all paths

Projects that meet or exceed the Minimum Requirements will be ranked based on clearly laid out Selection Criteria.

1. Projects serving the lowest average area median income households at the lowest average median income rents to the tenants.
2. Lower LIFT subsidy per unit.
3. Units to be sited, planned, permitted, constructed, and ready for initial lease-up within 12 to 24 months of LIFT funding reservation.
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 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.

Additional Selection Criteria – Serving DHS clients

1. Located in communities with high need (policy committee formula and DHS preference areas).
2. Ability to serve DHS clients earning 0-60% median income in more than the required 10% of units.
3. Local partnership / 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 to DHS clients.

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Additional Selection Criteria – Innovation / Cost Containmentment

1. Located in communities with high need (policy group formula).
2. Lower total development cost per square foot, excluding land and costs associated with OHCS ownership / 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 and/or development strategy to lower costs and / or provide the housing resource in an expedited timeline.
4. Ability to serve lower incomes (30% / 40% / 50%) and provide such units to DHS clients at initial lease-up.

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