LIFT Policy Subcommittee: Meeting Summary
January 13, 2016

Margaret Van Vliet began the meeting with a brief overview of the process. To date, the subcommittees have met three times and this will be their final meeting. Today, both subcommittees will review a program design draft that has been crafted based on the feedback and discussions to date. Today's process is designed to discuss the draft and receive feedback, and between now and the Housing Stability Council's February 5, 2016 meeting, committee members will have an opportunity to provide additional comments. On February 5, 2016 the Housing Stability Council will see a revised program design draft and approve the draft concept.

Included in the packets for the subcommittee today, there is a letter from Speaker Kotek that was distributed electronically yesterday as well. In addition, Margaret noted that the delays in getting critical feedback from lawyers about the fulfillment of the constitutional requirements of the bonds had definitely been difficult to work with for subcommittee members, and acknowledged that the timing was less than ideal.

Update on United Way Survey Results
Mayra Arreola gave an update to the group. The United Way of the Columbia Willamette has a cohort of organizations, which includes a substantial number of culturally specific organizations and housing and service providers. The group met with OHCS staff including the Director and a Housing Integrator, Kim Travis, and determined that they would like to provide input to OHCS regarding how to better form collaborative relationships between more traditional housing developers and culturally specific organizations in order to achieve the Governor's goal of reaching more communities of color through LIFT. She provided a document which summarized the survey results, and can be found here (LINK). It was asked whether this could be replicated statewide with other culturally specific organizations, and there was a request for OHCS and United Way to work together to try to survey more rural communities.

Review of Program Design Draft
The subcommittee reviewed the draft, and then began asking questions:

- Jacob Fox asked about the threshold requirements and the inclusion of 4% LIHTC. He noted that his previous understanding was that the Department was not intending to allow blending tax credits with LIFT money. Julie answered that the Financial Structuring Subcommittee has been discussing this issue at length, and have recommended not precluding tools that may be useful. She noted that this isn't indicating a preference that developers use 4% LIHTCs, but that it is not necessarily prohibited. In this scenario, the State would be in a Limited Partnership role, with the LIFT subsidy as equity into the project. In this case, the State would need certain rights to satisfy the "operate" requirement. The Financial Structuring subcommittee will be delving more into these details.
- Jacob Fox asked about the replacement reserve amount, and Julie responded that this was an average for family units across the OHCS portfolio.
- Val Valfre noted he was pleased to see the possibility of using 4% tax credits as he hoped to maintain flexibility and meet the unit goal.
- Val Valfre also asked about the maximum LIFT subsidy per unit of $32,000. Julie noted that the Financial Structuring subcommittee had conducted various modeling exercises both with and without tax credits, and found $32,000 to be a subsidy amount where the gap was manageable and it maximized unit production.

- Jacob Fox asked whether there were any surprises in the memo from Legislative Counsel and Department of Justice. Julie explained the process the Department had gone through with providing questions and scenarios for response. Originally, we had anticipated it would be easiest to meet the ownership test, however we now understand it would expose the state to some risk and liability. To meet the operating test, the state would need enough rights to meet the test.
- There was a question about land leases, and it was answered that in the opinion of Legislative Counsel, this would be high risk when the land lease is subordinated to other debt. The Financial Structuring subcommittee will continue this discussion.
- Dan Valliere asked about land trust and homeownership. He noted it could be an easy way to better serve rural areas, and might put a lot of units on the ground quickly. It was answered that the land trust was still possible under the current discussions with lawyers, but that it was not currently included in the draft. OHCS Leadership is concerned about the complexity of this avenue, and would like to limit this funding to multifamily affordable housing at this time. There is an interest in continuing to explore homeownership in the future.
- Jacob Fox asked how long OHCS would be a party to the partnership, and Julie answered that the State would need to be in the partnership as long as the bonds are outstanding, which is anticipated to be twenty years. Margaret noted that more discussion is needed about what happens at the end of twenty years – it would be the interest of the department to maintain the project as affordable at that point.
- Mayra Arreola suggested adding representatives of communities of color to the scoring and selection committee.
- Julie noted we needed to continue to refine outcome measures with DHS, and to develop an outcome measure related to cost containment and innovation.
- Jacob Fox suggested the Department consider a soft set aside for rural projects which seek to serve communities of color. Alejandro noted that if a project is in a rural area and intends to focus on serving communities of color, it does benefit the entire community.
- The group discussed geographic diversity, and suggested that the scoring committee be allowed to consider geographic diversity when selecting projects. Mayra suggested that the Department may consider targeted outreach and engagement to under represented communities to encourage their participation in the project. Alejandro Queral noted that he wanted to avoid a concentration of resources, as noted in the draft, but not to spread the projects too thinly across the state. The group discussed coordination, and what it might look like to bring together DHS District Managers, Public Housing Authorities, Community Action Agencies and housing developers to discuss need and partnerships in their community. Dr. Richardson noted he is working with both DHS District Managers and the communications team at DHS.
- Donna Bowman asked about the timeline. Julie replied that the notice would come out in June 2016, with project selection happening in the fall, and awards before the bond sale.
- The group discussed the letter from Speaker Kotek dated 1/12/16, and discussed pre-approved developers, the desire to balance process and speed, and also the need to ensure capacity. Andee Short from the Speaker's Office noted the Speaker is concerned about speed and efficiency – how do we get the most number of units for the least cost. Mayra cautioned that families of color may need larger units, and that the historic relationships between developers and communities of color are often not there – she suggested we needed to decide whether it would be fast or be right. Margaret agreed that we want to do our best to meet a number of expectations, some of which are in competition with each other. Margaret told the committee her current thinking is to use soft set asides with good outreach and good criteria, and to continue to check in with the Housing Stability Council moving forward.

- Jacob Fox suggested that bringing people together to craft and develop potential projects would be very important. He suggested a potential letter from OHCS and DHS to key project developers as one potential avenue. Margaret noted OHCS would use it's Housing Integrator positions as well as the Community Action Partnership of Oregon, Oregon Opportunity Network, and Oregon Housing Authorities to help spread the word.
- There was a question about Speaker Kotek's letter which referenced exemption disclosure, and it was noted this was mentioned to allow flexibility in land selection, in order to keep the cost of land from increasing because the State is buying it. It was asked whether the state had land to donate, and it was answered no because of constitutional and legal requirements related to the disposal of land.
- There was a question about developing mixed income projects, and Dr. Richardson noted his experience in Chicago had shown him mixed income was more successful for the residents and the neighborhood. However, he also noted he'd prefer that all of the units be set aside for DHS clients because the need is so great. There was discussion about how mixed income projects might work, and it was noted that in some rural areas, market rents are at about 60% of area median income rents. There was discussion about developing a next available unit policy and rule.
- There was a question about allowing acquisition and rehabilitation. Dan Valliere suggested the Department consider it – there could be buildings in disrepair or a building in a rapidly gentrifying area that could either create or preserve affordable housing. There was discussion about this versus the need for new units. Julie noted if mixed income projects were selected, OHCS would need to develop a next available unit rule to ensure there are the right numbers of people with low incomes living in the units. She also noted the program is a balancing act between being restrictive and flexible. Committee members encouraged OHCS to be more directive in the proposal. There was a desire from committee members to keep LIFT simple and efficient with clear expectations. Ultimately after additional discussion, the group agreed that only new units would be accepted.
- Jacob Fox asked about the underwriting criteria included, and whether it was possible to allow projects outside of these minimums. Julie noted the project needed to be viable for the long term and to protect the risk to the state. She did note that if applicant's don't meet the criteria, but they can demonstrate viability and meeting other lender requirements, OHCS would review and score the project.

Action Items

The group reviewed the decision points, and made the following recommendations:

- Add representatives of rural communities and communities of color to the scoring committee, and engage them in setting project criteria.
- Do not include homeownership as a potential avenue for this round of funding, but consider it for the future.
- Only allow new construction.
- Initiate and promote collaboration to increase participation, particularly in rural areas.
- Allow mixed income developments.
- Direct the Department to not sacrifice serving the identified priority populations in exchange for speed.
- Encourage the Department to be more directive in forming its selection criteria.

Closing

Margaret thanked the committee for their hard work. She let them know this was not their last opportunity to provide comment, and that they were welcome to continue submitting comments by email for another week until January 22nd. She explained this would go to the Housing Stability Council on February 5, 2016 and to the Legislature during the short session beginning February 1. She invited all committee members to attend the February Housing Stability Council meeting.