



Oregon

Governor Kate Brown

Housing and Community Services

North Mall Office Building
725 Summer St NE, Suite B
Salem, OR 97301-1266
PHONE: (503) 986-2000
FAX: (503) 986-2020
TTY: (503) 986-2100
www.ohcs.oregon.gov

Local Innovation and Fast Track (LIFT) Housing Program Policy Subcommittee

Work Session 1: September 16, 2015

9:00 a.m.-12:00 p.m.

OHCS Conference Room 124

725 Summer Street NE, Suite B

Salem, OR 97301

Meeting called by	Margaret S. Van Vliet, Director	
Facilitator	Holly Valkama	
Members	<ul style="list-style-type: none"> ▪ Mayra Arreola ▪ Donna Bowman ▪ Lois Day ▪ Sarah Drinkwater ▪ Kim Fredlund ▪ Jacob Fox 	<ul style="list-style-type: none"> ▪ Mary Li ▪ Sarah Lochner ▪ Joel Madsen ▪ Alejandro Queral ▪ Val Valfre ▪ Daniel Valliere

Meeting goal: Members of the Policy Sub-committee will understand the intent of the Legislature and the Governor with respect to the creation and development of the LIFT Housing Program. Members will understand the necessary deliverables required under the Charter to implement this program.

- 1) Welcome, Margaret Van Vliet, Director (15 minutes)
 - a. Information on current parameters
 - b. Expectations of the Legislature and the Governor
- 2) Introductions (15 minutes)
- 3) Review of Background Materials (10 minutes)
- 4) Review of Charter (10 minutes)
- 5) What do we know about the need? (30 minutes)
 - a. Information from Department of Human Services
 - b. Information from Oregon Housing and Community Services
- Break: 10 minutes
- 6) Initial discussion: Reaction to the Governor's priorities, Legislature's priorities (45 minutes)
- 7) Review of early thinking: Review background document, key questions, and deliverables; Are there other key questions that need to be added? (30 minutes)
- 8) Next steps, Next Meeting Agenda, Requests for information to OHCS (15 minutes)



TABLE OF CONTENTS

i. Policy Subcommittee Charter 1-4

ii. Legislative Materials 5-17



Oregon State Housing Council

Local Innovation and Fast Track (LIFT) Housing Program

Policy Committee Charter

Background and Problem Statement

The 2015 Oregon Legislative Assembly appropriated \$40 million in new funds for the development of affordable housing for low income families throughout Oregon. The source of funds for this historic investment is general fund-backed bonds, as authorized under Article XI-Q of the Oregon constitution.

In making this investment, the Legislature and the Governor have tasked Oregon Housing and Community Services and its primary policy advisory body (the Oregon State Housing Council) with

- creating a housing development program that builds on past successes while creating simpler, more streamlined processes to expedite housing development;
- seeking to drive down overall housing development costs; and
- strategically linking new housing with other state programs that aim to stabilize families and help them to gain economic self-sufficiency.

The Oregon State Housing Council wishes to augment its capacity by convening a diverse set of subject matter experts to recommend policy parameters and program design elements that can position the LIFT program for success.

Group Purpose

To advise the Oregon State Housing Council and OHCS on specific implementation strategies that will lead to successful program execution, and to recommend programmatic outcome metrics that can be used to track progress and would indicate whether the program has been successful.

Legislative Intent

While the legislature did not provide formal policy guidance to accompany the bonding authority, the following issues consistently arose in hearings and work sessions as being important to achieve within the LIFT program:

- Serve families with incomes at or below 60% of area median income;
- Create as many new housing opportunities as possible, recognizing that high unit production targets do not necessarily help with keeping rents as low as possible;
- Encourage local innovation;
- Strive for geographic equity in allocating the funds;
- Prudently manage development and ongoing operational risk to the State;
- Leverage private sector expertise and work to ensure the State does not compete with existing private sector providers;
- Leverage other sources of funds, without creating undue complexity and cost;
- Outline specific strategic alignment opportunities and demonstrate coordination of local partnerships and/or relevant state agencies to support the stability and



Oregon State Housing Council

Local Innovation and Fast Track (LIFT) Housing Program

Policy Committee Charter

success of families, effectively refer at-risk families and provide effective services and/or case management for such families;

- Ensure that housing created by LIFT is made available to families being served by other state-funded programs, including child welfare, self-sufficiency, and early learning collaboratives.

Committee Authority and Anticipated Duration

The role of this committee is advisory and is focused on initial program design considerations and implementation strategies. It will make recommendations to the State Housing Council which will advise and oversee OHCS' implementation of the program.

Group Sponsor

The Director of Oregon Housing and Community Services Department.

Membership

Mayra Arreola, United Way of Columbia-Willamette, Director – Community Collaborations and Investment; Council Member; Council Member, State Housing Council

Donna Bowman, Klamath and Lake Community Action Services, Executive Director

Lois Day, Oregon Department of Human Services, Child Welfare Director

Sarah Drinkwater, Oregon Department of Education, Assistant Superintendent

Kim Fredlund, Oregon Department of Human Services, Self-Sufficiency Programs Deputy Director

Jacob Fox, Housing and Community Services Agency of Lane County, Executive Director

Mary Li, Multnomah County Department of Human Services, Director of Community Services

Sarah Lochner, Oregon Health Authority, Addictions and Mental Health Legislative Coordinator

Joel Madsen, Columbia Cascade Housing Corporation, Executive Director

Alejandro Queral, United Way of Columbia-Willamette, Director, Systems Planning and Performance

Val Valfre, Washington County Department of Housing Services, Executive Director; Council Member, State Housing Council

Daniel Valliere, REACH Community Development Corporation, Chief Executive Officer



Oregon State Housing Council

Local Innovation and Fast Track (LIFT) Housing Program

Policy Committee Charter

Convening Information

The committee will meet for three work sessions lasting up to three hours each. Members will be provided with background materials, available data and research on needs and best practices, and draft policy parameters for consideration. Meeting time will primarily be used to review, discuss, and debate opportunities for targeting funding and methods for inviting proposals.

OHCS will engage a third party, experienced meeting and process facilitator to elicit discussion of trade-offs and policy concepts.

OHCS staff will seek to schedule meetings when the most number of members can be present, and asks that members respond promptly to requests for meeting availability.

The Committee will meet at least once jointly with the Finance Committee, and members will be invited to attend and report to the State Housing Council on progress of the work.

Additional meetings or work sessions may be scheduled if needed.

Deliverables

Written recommendations on program design:

1. Identify ways to balance resources among competing policy priorities, including potential allocation methodologies that would achieve geographic and social equity
2. Reconcile the policy intent of serving households receiving services with the creation of the greatest number of units, including target populations, income and rent limits, and unit mix.
3. Outline elements of service delivery agreements that would have the effect of demonstrating concrete local partnerships as possible prerequisites to funding.
4. Establish specific outreach strategies and scoring criteria that will seek to reach traditionally under-served communities, including communities of color, and rural communities still struggling with economic recovery.
5. Create specific tactics to ensure that local partnerships and/or relevant state agencies are equipped to effectively refer at-risk families and provide on-going services and/or case management for such families. Tactics could include program criteria, proposal guidelines, project selection criteria, advance field or inter-agency work, engagement of specific community groups, and broad communication strategies.
6. Propose a methodology for measuring outcomes, program success.



Oregon State Housing Council
Local Innovation and Fast Track (LIFT) Housing Program
Policy Committee Charter

**Signature of
Sponsor**

8/4/2015

Aubre Dickson, Chair
Oregon State Housing Council

Date

8/4/2015

Margaret S. Van Vliet, Director
Oregon Housing and Community Services

Date

PROPOSED \$100 MILLION FOR FAMILY AFFORDABLE HOUSING

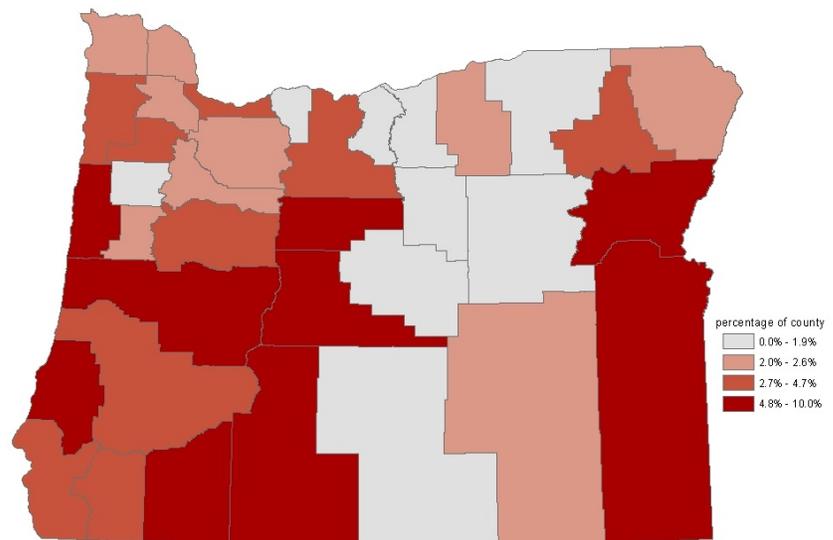
We urgently need to invest in housing production

An investment in housing production is urgently needed to address the lack of affordable housing. The proposed \$100 million of new resources will allow Oregon Housing and Community Services (OHCS) and its partners to create an innovative Oregon solution to begin to address the severe shortage of affordable housing, which is impeding our ability to raise school achievement, improve health outcomes, and move families towards economic self-sufficiency. Today, 175,000 Oregon households subsist on extremely low incomes, but our state only has 48,000 rental homes available at an affordable rent level for these families. That gap is getting worse, as rent and home prices are increasing much faster than wages. The frighteningly low apartment vacancy rate in many communities across the state confirms this trend.

Kids experiencing homelessness can't succeed in school

In the 2013-14 school year nearly 20,000 children experienced homeless for at least part of the year. And that doesn't include families who are one paycheck away from eviction, living in substandard housing, or severely rent burdened. These are the families and children most likely to fall behind academically, and to drop out before graduation. Access to stable housing would make the difference for these Oregonians.

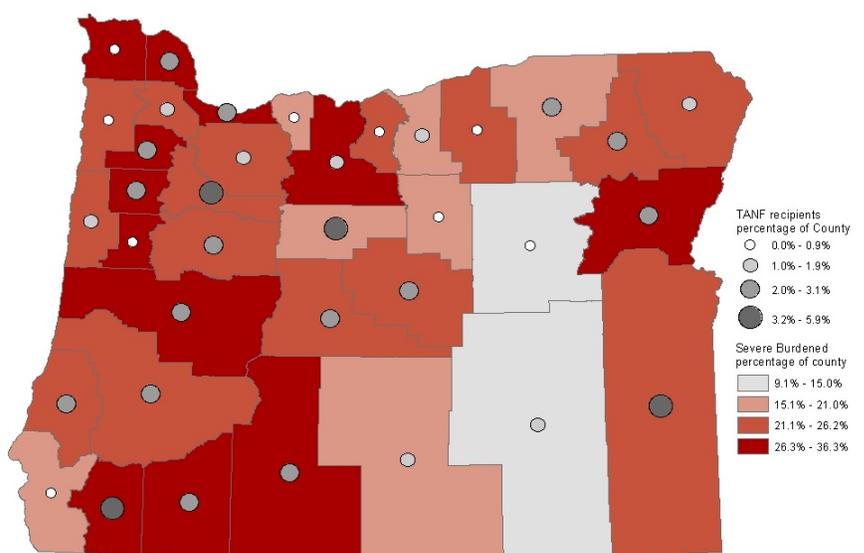
Students experiencing homelessness, 2013–2014



Families are paying too much for rent, making them vulnerable

When household budgets are stretched, hard choices are made. For the poorest Oregonians, this means choosing between paying rent and other basics like food, child care, medications, or utilities. And it makes it nearly impossible for families to pay for extras like books, music lessons, sports, and other healthy activities. Of the 30,000 families who are receiving Temporary Assistance while working to get back on their feet, only one in six have access to affordable housing.

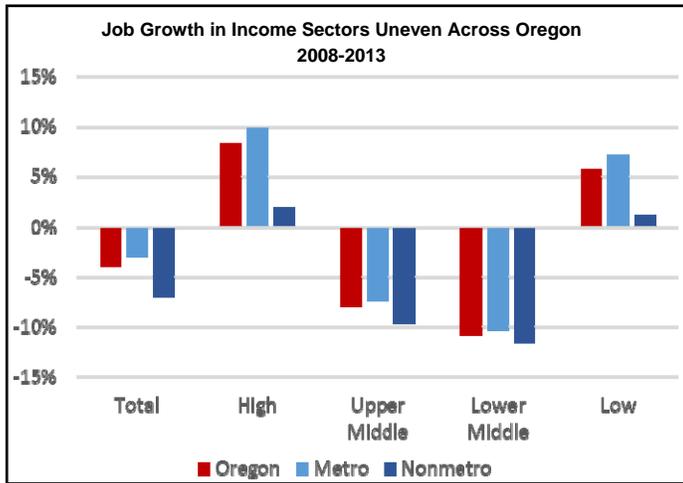
Severe rent burdened households and TANF recipients



Market rate apartments are unavailable

With vacancies in some communities at extremely low rates, finding an apartment for anyone is very difficult. Bend has record low vacancy rates of less than 1%, and reports of dozens of would-be renters showing up for announced openings. For our neighbors with any kind of negative rental history or credit score, securing that scarce rental is all but impossible. People lucky enough to have received a Section 8 voucher from their local housing authority after years of waiting often have to give back their vouchers because a rental unit cannot be secured.

In some cities, the private sector is responding with new construction. Building permits are up in Portland and Eugene. The majority of these new buildings don't include affordable apartments.



Source: Oregon Office of Economic Analysis

Oregon continues to have high rates of poverty and low wage work

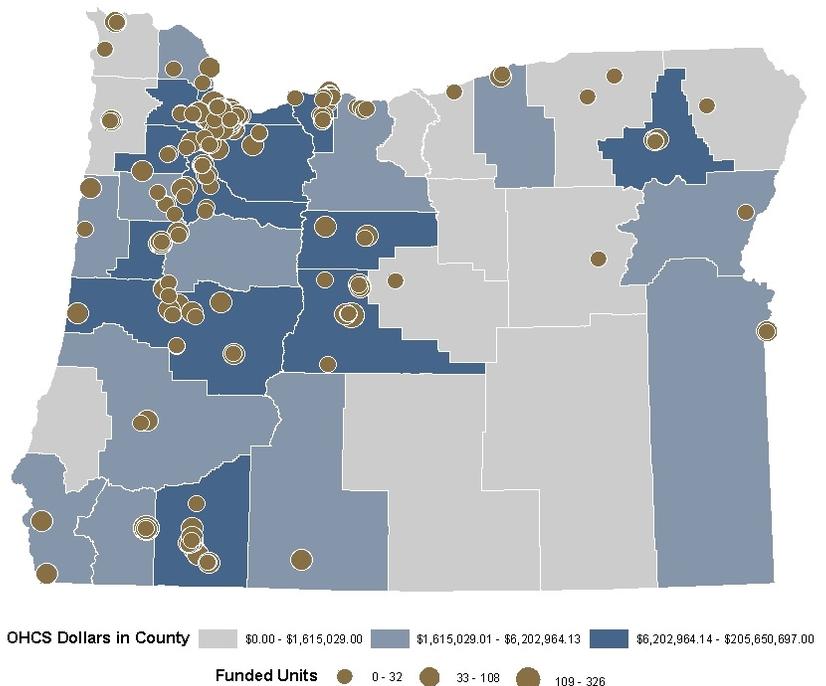
Oregon's economic recovery is uneven with record numbers of people continuing to experience poverty. Job growth is concentrated in high-wage, high-skilled sectors, and in the low-wage, service sectors with very few middle income jobs returning, putting additional pressure on the housing market.

Current resources are both insufficient and complex: two out of three projects turned away

With access to federal and state tax credits, grants, and subsidized loans, OHCS financing helps build or preserve about 1,300 affordable rental units each year. For the communities lucky enough to secure a project, these units are critical community resources. Each year the agency turns away two or three worthy projects for each one it funds, as a result of the scarcity of these resources.

Affordable housing development using these existing tools has become extremely complex, and most projects rely on layering five or more public capital subsidies, in addition to private debt and equity. A high degree of expertise is needed to navigate the development and financing process. The capacity for this highly technical work is uneven.

2010—2014 OHCS Funded Projects



What is possible with new resources?

More affordable apartments

OHCS estimates that between 3,000 and 4,000 new units could be built to help meet needs across the state with a \$100 million investment. The ultimate number produced will depend on a number of variables and choices. Market prices for land, materials, and labor can change over time and impact the ultimate number of apartments produced. A variety of public policy choices – like the ranges of affordability, design and construction standards, and regulatory requirements – will also factor in to total production. (See box below).

Innovation

Oregon's communities lack thousands of needed affordable housing units to provide homes for families with low incomes, and we must create new and innovative ways to deliver these critical resources. In order to make progress towards ensuring all Oregonians have a safe, affordable place to call home, we must try new strategies that are less complex than the publicly-financed housing system we have today. With an Oregon-funded solution, we can set the rules, define the policy choices, and set the targets. New, flexible resources would allow OHCS and its partners to test innovative strategies and create a modern model of affordable housing development, using years of experience, expertise, and success. This will provide an opportunity to try different construction methods, simplify existing financial structures, and reconsider regulation and complexities.

Leverage

Local communities are eager to address their housing crises. Some have local resources such as equity or grants; others have land; some are willing to waive systems development charges or cover infrastructure costs. With an expedited and flexible source of funds, we

can partner with communities that are ready to invest and expedite solutions quickly. We also know we can't afford to leave behind the communities that lack resources to contribute to the development of affordable housing, but we can use the flexibility of these new resources to tailor solutions to meet the unique needs of local partners.

Alignment

Housing is fundamental to effective human service delivery, to health outcomes, and to educational success. OHCS and its state agency partners are ready to deepen their collaboration to better and more effectively serve families. As OHCS takes charge of producing the affordable housing developments in communities where there is great need, the Department of Human Services (DHS) and other state agencies will work to build system linkages to ensure their families are served and supported in this new housing. This kind of alignment will take pressure off of housing developers to find funding for services.

Alternative Construction

From manufactured or modular housing, to alternative construction methods, developers and local leaders are eager to try new solutions. None of OHCS's current resources work with these types of projects. Flexible new resources will allow us an opportunity to test these innovative strategies and deliver modest housing solutions at a lower cost.

Cost Containment

Local and national experts have studied the best methods for containing the cost of affordable housing development. These studies offer insight to reduce costs by reducing regulation where feasible and simplifying construction and design.

Strategies to consider with these resources that could bring costs down, compared to typical affordable housing development:

- Keep building designs simple and deploy serviceable but modest materials
- Limit blending of new resources with tax credits solely to the Lottery Backed Bond resources, as tax credit transactions are more complex and costly by nature
- Simplify or relax complex regulatory requirements that require technical compliance expertise or consultants up front and over time
- Ensure social support services are funded outside of the real estate operating budgets, to maximize debt capacity

What is the proposed funding source and how will it work?

The 2015—17 Governor’s Budget calls for:

- **\$85 million in General Fund-backed bonds**, allowed under Article XI-Q of the Oregon constitution. “Q Bonds” have been used to develop public buildings including the State Hospital. This will be the first time this source is applied to affordable housing, so understanding rules and limitations will be critical.
 - ◇ Using “Q Bonds” means that the State is expected to take an ownership interest in the financed properties
 - ◇ OHCS will enter into agreements with experienced, professional housing providers to operate and manage the properties
 - ◇ Bond proceeds will fund the State’s equity interest in individual projects
 - ◇ Bonds will be issued on a taxable basis to preserve flexibility in their application
 - ◇ The unique nature of this funding source gives us both the duty and the opportunity to innovate
 - ◇ Resources would not be available until the bonds are issued in 2017, but projects will need to be identified in advance
- **\$15 million in Lottery Fund-backed bonds**
 - ◇ These resources can leverage substantial public and private capital
 - ◇ Project funds would not be available until the bonds are issued in 2017
 - ◇ These resources have been used to fund affordable housing in the past

Program design and oversight

Housing Stability Council

Specific program design and implementation strategies will be developed with input and oversight of the Housing Stability Council, whose members are appointed by the Governor and confirmed by the Oregon Senate. The Housing Stability Council is well positioned to be the central table where this kind of policy framework is debated, vetted publicly, and then established. From the outset, the Council intends to augment its expertise by forming subcommittees with real estate, finance, social service, and community action agency experts. These groups will study and make recommendations about balancing competing needs and priorities, such as rent levels and incomes served, ensuring application of an equity lens, addressing unique capacity issues in rural communities, and simplifying deal structuring to maximize production.

What will the \$100 million investment look like in Oregon?

Small scale new construction

- ◇ 10 wood-frame units in small communities or on urban infill lots
- ◇ Two and three bedroom units affordable to low wage workers
- ◇ Construction and development costs consistent with the private sector



Mid-size new construction

- ◇ 50 unit wood-frame in a suburban community or small city
- ◇ Construction and development costs consistent with the private sector
- ◇ In some communities, the local jurisdiction could contribute land, waive systems development charges, or contribute funds
- ◇ Two- and three-bedroom units, at a mix of affordable rents
- ◇ Local Public Housing Authority partnerships could help lower rents with vouchers



Land acquisition

- ◇ OHCS can use its resources to purchase an available land parcel at market value
- ◇ This would allow time for site feasibility studies and a normal development process
- ◇ A land lease to a private developer would satisfy the ownership requirements of the bonds



Innovation

- ◇ Modular construction or other alternative design and construction strategies
- ◇ Reducing green building requirements to no greater than existing local building codes to save costs



Building acquisition

- ◇ An existing small market-rate apartment community, owned by a private investor, that's been well-maintained
- ◇ OHCS could use bond proceeds plus conventional debt to buy the property and reduce rents
- ◇ On unit turnover, some upgrades can be made
- ◇ No displacement of existing tenants, if those tenants are low income, they could see a rent decrease



Assumptions:

Program design including key policy choices will be publicly vetted through the Housing Stability Council. For discussion purposes, OHCS currently assumes the following:

- Emphasis on two- and three-bedroom apartments to accommodate families; some one-bedroom and four-bedroom units could be developed
- Units are developed for a range of incomes between 30% and 60% of Area Median Income (AMI)
- Construction and development costs at the same levels as the private sector

In all cases, OHCS will take an ownership role in the property, and will enter into agreements with experienced housing providers to operate and manage the properties.

FREQUENTLY ASKED QUESTIONS

This is a new use of bond capacity for the State of Oregon – why is it important?

The State of Oregon carefully manages how much general and lottery funds are dedicated to future bond debt service each biennium. As proposed, this funding for affordable housing fits within established prudent parameters. In general, long-term debt is considered appropriate when the asset provides a long-term benefit to the State. The housing that's created through this investment will serve families with children who are experiencing or are at-risk of homelessness who are also users of other services. Stable housing will help them transition off of safety net services more quickly and access pathways out of poverty. As a result, Oregon will stand a better chance of meeting its goals for improving economic security for all.

If the Article XI-Q bonds are used, will the State need to own the buildings?

The State will need to have an ownership stake in the housing that is created. OHCS will create the necessary leases, and operating and management agreements with experienced housing developers and owners that allow it to meet its obligations under Article XI-Q while also entering into partnerships with the affordable housing industry for day-to-day operations. More specifics about how such arrangements can be structured will be studied and vetted in the coming months through both experts in bond financing as well as discussions with partners and developers at the Housing Stability Council. OHCS does not intend to operate these buildings, or to become a housing authority or developer.

These bonds are supposed to address family homelessness. Will the State charge rent?

Yes, it will be necessary to charge some rent. Our goal in developing new properties will be to drive rents as low as possible to ensure they are affordable to the very lowest income families. Any expansion in the supply of deeply affordable rentals will help stabilize the lowest income families. Strong local partnerships and referral systems will help identify those families with the least stable housing situation and thus keep many from falling in to homelessness.

Can this money be used with other state and federal financing tools?

Yes, there may be ways to utilize OHCS funding streams and other public capital tools with these funds. Pairing the bond money with other resources may have operating, leverage, and compliance-related trade-offs, and those will need to be considered in the overall context of project structuring scenarios. Both experts in bond financing and discussions at the Housing Stability Council will consider these questions.

Will projects have to comply with federal tax-exempt financing rules?

Not necessarily. If the bonds are sold on a taxable basis, the resulting capital can be deployed more flexibly. On the other hand, bonds sold on a tax-exempt basis – while much more technically complicated up front and over time – will need to be considered as the exemption would result in lower borrowing costs to the State over time. A subcommittee will be formed with membership from real estate and finance experts to advise the Housing Stability Council on federal tax-exempt financing rules.

Will there be resources to help support families succeed in this housing?

Yes. OHCS is committed to working closely with our state and local partners to ensure the families accessing this housing have the needed supports to succeed. Oregon Department of Human Services (DHS) has committed to working closely with OHCS and its partners to develop strong policy linkages, and to support its field offices in partnering at the local level to ensure target families living in the apartments also have access to state-funded supports. DHS will assist OHCS and its partners in helping to shape the eventual execution strategies. Oregon Health Authority (OHA) has similarly expressed interest in participating, both through the Coordinated Care Organizations where housing has been identified as a high priority, and through the Addictions and Mental Health Division.

How many units will be developed through this proposal for \$100 million in bonds?

OHCS hopes to develop between 3,000 and 4,000 units and will process the various options and scenarios with its industry partners in the coming months. The eventual number of units will depend on numerous variables and assumptions having to do with what level of rent should be charged, what degree of mixed income and family integration is determined to be most desirable, the ability to leverage other public and private capital, and the cost of development and construction. Discussions at the Housing Stability Council table will consider the appropriate level of regulatory compliance and oversight, which also impacts long-term costs.

Agency Contact : Alison McIntosh | (503) 986-2079 | Alison.McIntosh@oregon.gov

Oregon Housing and Community Services | 725 Summer Street NE, Suite B | Salem, Oregon

\$100 MILLION FOR FAMILY AFFORDABLE HOUSING

An investment in housing production is urgently needed to address the lack of affordable housing. The proposed \$100 million of new resources will allow Oregon Housing and Community Services (OHCS) and its partners to create an innovative Oregon solution to begin to address the severe shortage of affordable housing, which is impeding our ability to raise school achievement, improve health outcomes, and move families towards economic self-sufficiency.

Today, 175,000 Oregon households subsist on extremely low incomes, but our state only has 48,000 rental homes available at an affordable rent level for these families. That gap is getting worse, as rent and home prices are increasing much faster than wages. The frighteningly low apartment vacancy rate in many communities across the state confirms this trend.

OHCS estimates that between 3,000 and 4,000 new units could be built to help meet needs across the state with a \$100 million investment.

An Oregon-funded solution: With these new funds, Oregon can set the rules, define the policy choices, and set the targets. New, flexible resources would allow OHCS and its partners to test innovative strategies and create a modern model of affordable housing development, using years of experience, expertise, and success. This will provide an opportunity to try different construction methods, simplify existing financial structures, and reconsider regulation and complexities.

Specific program design and implementation strategies will be developed with input and oversight of the Housing Stability Council, whose members are appointed by the Governor and confirmed by the Oregon Senate. The Housing Stability Council is well positioned to be the central table where this kind of policy framework is debated, vetted publicly, and then established. From the outset, the Council intends to form subcommittees with expertise in real estate, finance, social service, and community action agency experts.

HB 2198 will provide sideboards to the proposed \$100 million for family affordable housing. HB 2198 creates the Local Innovation and Fast Track (LIFT) Housing program.

- **Priority populations:** families with children who earn less than 60% of area median income (AMI). In most communities, someone working full time at minimum wage with two children makes about 40% of AMI.
- **Distribution:** The Housing Stability Council will ensure funds are distributed statewide, and will concentrate funds and resources in the areas of the state with greatest need. They will consider severe rent burden, the gap between the needed affordable units and the available units, and market data such as rent and vacancy rates.
- **Ownership:** The State will need to have an ownership stake in the housing that is created. OHCS will create the necessary leases, and operating and management agreements with experienced housing developers and owners that allow it to meet its obligations under Article XI-Q while also entering into partnerships with the affordable housing industry for day-to-day operations. More specifics about how such arrangements can be structured will be studied and vetted in the coming months through both experts in bond financing as well as discussions with partners and developers at the Housing Stability Council. OHCS does not intend to operate these buildings, or to become a housing authority or developer.
- **Cost Containment:** Local and national experts have studied the best methods for containing the cost of affordable housing development. These studies offer insight to reduce costs by reducing regulation where feasible and simplifying construction and design.
- **Other Considerations:** The Housing Stability Council will also consider ways to reduce the cost of construction; create linkages with regional collaboratives and other state agencies; and ensure funds address state priorities.

Agency Contact : Alison McIntosh | (503) 986-2079 | Alison.McIntosh@oregon.gov

Oregon Housing and Community Services | 725 Summer Street NE, Suite B | Salem, Oregon

C-Engrossed
House Bill 2198

Ordered by the House July 6
Including House Amendments dated April 27 and May 27 and July 6

Introduced and printed pursuant to House Rule 12.00. Pre-session filed (at the request of House Interim Committee on Human Services and Housing)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Directs Housing and Community Services Department to develop and implement Local Innovation and Fast Track Housing Program to expand state's supply of affordable housing for *[families with children and incomes at or below 60 percent of area median income]* **low income individuals or families.**

[Authorizes state or department to own property under program.]

Authorizes department to acquire, construct, remodel, repair, equip or furnish real property that is or will be owned by state to provide affordable housing for low income individuals or families. Authorizes department to pay development costs to develop real property and create entities, cooperate or participate with persons or entities and contract with persons and entities. Limits types of interests in real property that may be owned by state or department under program.

Directs State Housing Council to develop strategies to implement program.

Requires Director of Housing and Community Services Department to report regularly to council regarding status and progress of program and department's responsibilities for implementing and administering program.

Directs department to adopt rules to implement program.

Creates Local Innovation and Fast Track Housing Program Fund. Continuously appropriates moneys in fund to department for purposes of program.

Requires department to report to Legislative Assembly on or before February 1 of each of years 2016, 2017 and 2018 regarding implementation of program.

Appropriates moneys from General Fund to department for biennial expenses related to development of affordable housing for low income individuals or families through program.

Limits biennial expenditures for payment of expenses related to development of affordable housing for low income individuals or families from fees, moneys or other revenues, including Miscellaneous Receipts and reimbursements from federal service agreements, but excluding lottery funds and federal funds, collected or received by department.

Declares emergency, effective July 1, 2015.

A BILL FOR AN ACT

1
2 Relating to the Housing and Community Services Department; creating new provisions; amending
3 ORS 270.100 and 456.559; and declaring an emergency.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1. As used in sections 1 to 3 of this 2015 Act:**

6 (1) **"Affordable housing"** means residential housing that may be purchased or rented,
7 with or without government assistance, by persons who meet the applicable income limits
8 of local, state or federally funded programs or developments.

9 (2) **"Area median income"** means the median income for the area in which the subject
10 housing is located, adjusted for family size, as determined by the Housing and Community
11 Services Department using United States Department of Housing and Urban Development
12 information.

13 (3) **"Development costs"** has the meaning given that term in ORS 456.548.

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 (4) "Low income individuals or families" means individuals who have incomes at or below
2 60 percent of the area median income for individuals, or families that have incomes at or
3 below 60 percent of the area median income for families.

4 **SECTION 2.** (1) The Housing and Community Services Department shall, with the advice
5 and consent of the State Housing Council, develop and implement the Local Innovation and
6 Fast Track Housing Program for the purpose of expanding the state's supply of affordable
7 housing for low income individuals or families.

8 (2) Pursuant to subsection (1) of this section, the department may:

9 (a) Acquire, construct, remodel, repair, equip or furnish real property that is or will be
10 owned by the State of Oregon for the purpose of providing affordable housing in this state
11 for low income individuals or families;

12 (b) Pay development costs to develop real property that may be considered part of the
13 cost of a capital asset under generally accepted accounting principles; and

14 (c) Create entities, cooperate or participate with persons or entities and contract with
15 persons and entities.

16 (3) Interests in real property owned by the State of Oregon or the department under this
17 section are limited to the following:

18 (a) A fee simple interest;

19 (b) A leased fee interest;

20 (c) A tenancy in common for which the state's or department's interest in the property
21 is proportionate to the contribution of the state or department to the property's purchase
22 price;

23 (d) A fee simple interest in a condominium; or

24 (e) An easement, right of way, license or similar interest functionally related to and
25 necessary for the use of real property acquired by the state or department.

26 (4) In funding the acquisition, construction, remodeling, repairing, equipping or furnish-
27 ing of real property under the program:

28 (a) The department shall give preference to applicants with affordable housing projects
29 that will:

30 (A) Provide the greatest number of affordable housing units for the amount of funding
31 provided; and

32 (B) Ensure the longest possible use of the real property as affordable housing units.

33 (b) The department, with the advice and consent of the council, may adopt a formula
34 that:

35 (A) Optimizes the function and duration of the affordable housing project; and

36 (B) Takes into account the means to reduce the cost of the affordable housing project
37 while considering factors such as the quality of construction, durability, location and local
38 design requirements.

39 (5)(a) Moneys made available through the program must be distributed statewide and
40 concentrated in areas of this state with the greatest need for affordable housing, as deter-
41 mined by the council. To implement this requirement, the department and the council shall
42 consider the following factors on a county-by-county basis:

43 (A) The proportion of renters in the county who have a severe rent burden;

44 (B) Underserved geographic areas, taking into account the proportion of low income in-
45 dividuals or families compared to the availability of affordable housing within the geographic

1 area; and

2 (C) Market data, including but not limited to the cost of housing, vacancy rates and
3 available affordable housing supply.

4 (b) As used in this subsection, “severe rent burden” means rent that is more than 50
5 percent of the income of low income individuals or families.

6 (6) For purposes of implementing the program, the council shall develop strategies to:

7 (a) Reach traditionally underserved communities, including communities of color and
8 rural communities;

9 (b) Reduce the cost of acquiring, constructing, remodeling, repairing, equipping or fur-
10 nishing real property for the purpose of providing affordable housing; and

11 (c) Involve regional solutions advisory committees and teams, Early Learning Hubs, co-
12 ordinated care organizations and other persons or organizations.

13 (7) The Director of the Housing and Community Services Department shall report regu-
14 larly to the council regarding the status and progress of the program and of the
15 department’s responsibilities for implementing and administering the program.

16 (8) The department shall adopt rules to implement the provisions of this section, includ-
17 ing but not limited to prescribing requirements for acquiring, constructing, remodeling, re-
18 pairing, equipping or furnishing real property for the purpose of providing affordable housing
19 under the program.

20 **SECTION 3.** (1) The Local Innovation and Fast Track Housing Program Fund is estab-
21 lished in the State Treasury, separate and distinct from the General Fund. Interest earned
22 on moneys in the Local Innovation and Fast Track Housing Program Fund shall be credited
23 to the fund.

24 (2) The fund consists of moneys deposited into the fund pursuant to chapter _____,
25 Oregon Laws 2015 (Enrolled House Bill 5005).

26 (3) Moneys in the fund are continuously appropriated to the Housing and Community
27 Services Department for:

28 (a) The purposes described in section 2 of this 2015 Act;

29 (b) Payment of the costs incurred by the department to administer the fund; and

30 (c) Payment of bond-related costs, as defined in ORS 286A.816.

31 **SECTION 4.** ORS 270.100 is amended to read:

32 270.100. (1)(a) Before offering for sale any real property or equitable interest therein owned by
33 the state, the state agency acting for the state in such transaction shall report its intent of sale or
34 transfer to the Oregon Department of Administrative Services. The department, or the agency spe-
35 cifically designated by the department, shall notify other state agencies authorized to own real
36 property of the intended sale or transfer to determine whether acquisition of the real property or
37 interest therein would be advantageous to another state agency.

38 (b) The department shall give political subdivisions, as defined in ORS 271.005, the first oppor-
39 tunity after other state agencies to acquire, purchase, exchange or lease real property to be sold
40 or disposed of by the State of Oregon. The state agency responsible for selling or transferring the
41 property may require at the time of the sale or transfer that any state real property sold or trans-
42 ferred to a political subdivision, as defined in ORS 271.005, shall be for use for a public purpose or
43 benefit, and not be for resale to a private purchaser.

44 (c) If property is not disposed of under paragraph (a) or (b) of this subsection, in accordance
45 with rules adopted by the department, the state agency desiring to sell or transfer the property shall

1 cause it to be appraised by one or more competent and experienced appraisers. Except as provided
2 in ORS 273.825, if such property has an appraised value exceeding \$5,000 it shall not be sold to any
3 private person except after notice calling for such proposals as set forth in ORS 270.130.

4 (d) The department shall adopt rules to carry out the provisions of this section.

5 (2) Before acquisition of any real property or interest therein by any state agency, except for
6 highway right of way acquired by the Department of Transportation and park properties acquired
7 by the State Parks and Recreation Department and property within the approved projected campus
8 boundaries for public universities of the Oregon University System or public universities with gov-
9 erning boards listed in ORS 352.054, the state agency shall report its intent of acquisition to the
10 Oregon Department of Administrative Services. The department shall notify other state agencies
11 owning land of the intended acquisition to determine whether another state agency desires to sell
12 or transfer property which would meet the needs of the purchasing agency. In accordance with rules
13 adopted by the Oregon Department of Administrative Services, if no other state agency desires to
14 sell or transfer property which would meet the needs of the agency, the agency may acquire the real
15 property or interest therein, consistent with applicable provisions of law.

16 (3) Before any terminal disposition of real property or an interest in real property, the state
17 agency acting for the state in the transaction must secure approval of the transaction from the
18 Oregon Department of Administrative Services.

19 (4) Subsection (3) of this section does not apply to terminal disposition of the following real
20 property:

21 (a) Property controlled by the State Department of Fish and Wildlife;

22 (b) State forestlands controlled by the State Forestry Department;

23 (c) Property controlled by the Department of Transportation;

24 (d) Property controlled by the Department of State Lands;

25 (e) Property controlled by the Oregon University System or controlled by public universities
26 with governing boards listed in ORS 352.054;

27 (f) Property controlled by the legislative or judicial branches of state government; and

28 (g) Property controlled by the State Parks and Recreation Department.

29 (5) Notwithstanding the provisions of subsection (4) of this section, prior approval by the Oregon
30 Department of Administrative Services is required for the terminal disposition of public land for less
31 than the fair market value of that land.

32 (6) The provisions of ORS 184.634, 270.005 to 270.015, 270.100 to 270.190, 273.416, 273.426 to
33 273.436, 273.551 and 308A.709 (1) to (4) do not apply to:

34 (a) A home or farm acquired or sold by the Department of Veterans' Affairs under ORS 88.720,
35 406.050, 407.135, 407.145, 407.375 and 407.377.

36 (b) Real property acquired or sold by the Housing and Community Services Department under
37 the provisions of ORS 456.515 to 456.725 or ORS chapter 458 or sections 1 to 3 of this 2015 Act.

38 **SECTION 5. On or before February 1 of each of the years 2016, 2017 and 2018, the Housing**
39 **and Community Services Department shall prepare and submit a report to the interim com-**
40 **mittees of the Legislative Assembly that have authority over the subject area of housing**
41 **regarding the Local Innovation and Fast Track Housing Program and the annual progress**
42 **on implementation of the program. Each report shall include but is not limited to informa-**
43 **tion regarding:**

44 (1) **The amount of funds expended;**

45 (2) **The number of affordable housing units in progress and developed; and**

1 **(3) The location of the affordable housing units and geographic diversity.**

2 **SECTION 6.** ORS 456.559 is amended to read:

3 456.559. (1) The Housing and Community Services Department shall:

4 (a) Maintain current housing data and information concerning available programs, status of
5 funding, programs planned or undertaken which might conflict with, overlap, duplicate or supersede
6 other planned or existing programs and call these to the attention of appropriate state agencies,
7 governmental bodies and public or private housing sponsors.

8 (b) Provide to appropriate state agencies, governmental bodies and public or private housing
9 sponsors such advisory and educational services as will assist them in the development of housing
10 plans and projects.

11 (c) Subject to the approval of the State Housing Council, make noninterest bearing advances, in
12 accordance with ORS 456.710 and the policies of the department to qualified nonprofit sponsors for
13 development costs of housing projects until mortgage funds are released to repay the advances as
14 provided in ORS 456.710.

15 (d) Advise and assist appropriate state agencies, governmental bodies and public or private
16 housing sponsors, cities and counties, in all programs and activities which are designed or might
17 tend to fulfill the purposes of ORS 456.548 to 456.725 and ORS chapter 458.

18 (e) Encourage and assist in the planning, development, construction, rehabilitation and conser-
19 vation of dwelling units for persons and families of lower income.

20 (f) Be the central state department to apply for, receive and distribute, on behalf of appropriate
21 state agencies, governmental bodies and public or private housing sponsors in the state, grants, gifts,
22 contributions, loans, credits or assistance from the federal government or any other source for
23 housing programs except when the donor, grantor, or lender of such funds specifically directs some
24 other agency to administer them. Moneys received under this section shall be deposited with the
25 State Treasurer in an account separate and distinct from the General Fund. Interest earned by the
26 account shall be credited to the account.

27 (g) For the purposes of acquiring moneys, credits or other assistance from any agency or
28 instrumentality of the United States or from any public corporation chartered by the United States,
29 comply with any applicable agreements or restrictions for the receipt of such assistance and become
30 a member of any such association or public corporation chartered by the United States.

31 (h) Assist individuals, appropriate state agencies, governmental bodies and public or private
32 housing sponsors through a program which provides housing information, planning, educational
33 services and technical assistance.

34 (i) Comply with the requirements of ORS 443.225 in assisting in the development of any housing
35 for residential care, training or treatment for persons with mental retardation, developmental disa-
36 bilities or mental or emotional disturbances.

37 (2) Except as otherwise provided in ORS 456.625 (7) **and sections 1 to 3 of this 2015 Act**, the
38 department may not itself develop, construct, rehabilitate or conserve housing units; and neither the
39 department nor any housing sponsor, including but not limited to any association, corporation, co-
40 operative housing authority or urban renewal agency organized to provide housing and other facil-
41 ities pursuant to ORS 456.548 to 456.725, may own, acquire, construct, purchase, lease, operate or
42 maintain utility facilities, including facilities for the generation of electricity, for the distribution
43 of gas and electricity, and for the conveyance of telephone and telegraph messages.

44 (3) In accordance with the provisions of this section and with the advice of the council, the
45 department shall establish statewide priorities for housing programs. State agencies shall coordinate

1 their housing programs with the department. All state agencies intending to apply for federal funds
2 for use in planning, developing or managing housing, or rendering assistance to governmental bodies
3 or sponsors or individuals involved therein shall submit a description of the proposed activity to the
4 department for review not less than 30 days prior to the intended date of submission of the appli-
5 cation to the federal agency. The department shall determine whether the proposal would result in
6 a program that would overlap, duplicate or conflict with any other housing program in the state. If
7 the department finds overlapping or duplication or conflict, it shall recommend modifications in the
8 application. The Oregon Department of Administrative Services shall consider these recommen-
9 dations in making its decision to approve or disapprove the application. The department shall com-
10 plete its review and forward its recommendations within 15 working days after receipt of the
11 notification. Failure of the department to complete the review within that time shall constitute ap-
12 proval of the application by the department.

13 (4) The director may participate in discussions and deliberations of the council. The director
14 may suggest policies and rules to the council, including those necessary to stimulate and increase
15 the supply of housing for persons and families of lower income.

16 **SECTION 7. In addition to and not in lieu of any other appropriation, there is appropri-**
17 **ated to the Housing and Community Services Department, for the biennium beginning July**
18 **1, 2015, out of the General Fund, the amount of \$117,779, for payment of expenses related to**
19 **the development of affordable housing for low income individuals or families funded with**
20 **proceeds from bonds issued under authority of Article XI-Q of the Oregon Constitution**
21 **through the Local Innovation and Fast Track Housing Program created under section 2 of**
22 **this 2015 Act.**

23 **SECTION 8. Notwithstanding any other law limiting expenditures, the amount of \$88,979**
24 **is established for the biennium beginning July 1, 2015, as the maximum limit for payment of**
25 **expenses related to the development of affordable housing for low income individuals or**
26 **families funded with proceeds from bonds issued under authority of Article XI-Q of the**
27 **Oregon Constitution through the Local Innovation and Fast Track Housing Program created**
28 **under section 2 of this 2015 Act from fees, moneys or other revenues, including Miscella-**
29 **neous Receipts and reimbursements from federal service agreements, but excluding lottery**
30 **funds and federal funds not described in this section, collected or received by the Housing**
31 **and Community Services Department.**

32 **SECTION 9. This 2015 Act being necessary for the immediate preservation of the public**
33 **peace, health and safety, an emergency is declared to exist, and this 2015 Act takes effect**
34 **July 1, 2015.**