



Oregon

Housing and Community Services

John A. Kitzhaber, MD, Governor

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Date: February 10, 2014
To: State Housing Council Members
From: Julie V. Cody, Program Delivery Administrator
Re: **Materials for the February State Housing Council Meeting**

Attached to this transmittal memo you will find three memos:

1. Memo to Margaret Van Vliet, Director of Oregon Housing and Community Services, dated February 7, 2014, outlining staff recommendations for the 2014 Low Income Housing Tax Credit (LIHTC) Notice of Funds Availability (NOFA);
2. Memo to State Housing Council, dated February 7, 2014, regarding an update to the Multifamily Housing Programs rule making process, which includes a recommendation related to delegated transactional authority; and
3. Memo to State Housing Council, dated February 7, 2014, regarding staff recommended changes to the Qualified Allocation Plan (QAP) for the 2014 LIHTC competitive allocation process.

I am respectfully requesting the members of the State Housing Council review the memos provided and be prepared at the next meeting, scheduled for Friday, February 14, 2014, to participate in a discussion where you will be asked to:

- Advise the Director prior to her taking action on the recommendations for the next LIHTC NOFA;
- Provide direct feedback to staff related to the rule making process; and
- Advise staff with respect to the proposed changes to the QAP and the anticipated process.

If you need additional information or clarification on any of the items above, please contact me at your convenience at (503)986-2106 or via email at julie.cody@hcs.state.or.us.

I look forward to seeing you Friday.





Date: February 7, 2014
To: Margaret S. Van Vliet, Director
From: Julie V. Cody, Program Delivery Administrator
Re: **Recommendations for 2014 Multifamily Housing Finance LIHTC Notice of Funds Availability**

Following the 2013 Low Income Housing Tax Credit (LIHTC) Notice of Funding Availability (NOFA) and in preparation for the 2014 LIHTC NOFA, three public outreach sessions were held with partners to gather feedback on the application process, content and evaluation methodology. Based on those sessions, a number of recommendations have been developed to be incorporated into the 2014 and future Multifamily Housing Finance LIHTC NOFAs.

Regions and Allocation of Funds

The LIHTC allocation formula is based on the percentage of low-income households that earn less than 60% of area median income and households that are extremely rent burdened, meaning they expend more than 50% of their income on housing. Moving from the current five regions that align to the Regional Solutions Regions to three regions, as outlined below, will assure the ability for similar project types to compete more closely with one another and greater availability of additional leverage opportunities.

Region	Counties/Cities	Estimated LIHTC Allocation
Metro Oregon	Clackamas, Multnomah and Washington Counties	\$4.0 MM (45%)
Non-Metro HUD Participating Jurisdictions	Corvallis, Eugene/Springfield and Salem/Keizer	\$1.6 MM (18%)
Balance of State	All other cities and counties not included in a region listed above	\$3.3 MM (37%)

By utilizing this structure, the Department will avoid the need to create a floor of funding for regions where the allocation formula would not generally provide enough resources to fund a single project. Leaving the current regional structure in place, without some form of change, could lead to overbuilding in smaller regions which could impact communities negatively.

All other resources available would be allocated on a statewide basis with a maximum allocation set for each funding source based on availability of resources. This is not a change from the previous year.

We are not recommending a change to the LIHTC per project cap at this time. The current formula would set the 2014 cap at \$890,000 per project.

Set-Asides

The internal workgroup is recommending OHCS reestablish a set-aside for what we call “Big P” Preservation for 2014. This would be considered a “soft” set-aside, which means that any region where applications for eligible projects were not received or did not score above the minimum required score to reach the 35% set-aside, funding would go to additional non-set-aside projects in the region. Below is the recommendation for both 2014 and 2015 with respect to a Preservation Set-Aside.

- 2014 - Establish a 35% soft set-aside for preservation projects with at least 25 percent of the units having federal project-based rent subsidies.
- 2015 - Retain the 35% soft set-aside for preservation projects, but expand the eligibility to include what is considered little p preservation projects. Definition to be developed.

Priorities

General priorities have not changed from the 2013 LIHTC NOFA, they include the following:

- Projects located in under-served areas;
- Projects that serve the lowest incomes;
- Projects that are located in either a HUD Qualified Census Tract (QCT) or areas that serve to De-concentrate Poverty, otherwise defined as projects located in a census tract with less than 10% poverty.

It is further proposed that OHCS would award points to prioritize projects that meet specified annual policy objectives, identified by Oregon Housing and Community Services.

- 2014 - Projects that support Oregon’s 10 Year plan for Healthy People, and Safety, and current legislation or initiatives that:
 - Serve to reduce the number of children in foster care
 - Provide re-entry housing for people released from prison
- 2015 - Includes 2014 priorities, in addition to any new priorities identified by the Department, which would continue through 2016.

Competitive Scoring Categories and Weighting

Weighting	Category
35%	Impact <ul style="list-style-type: none"> • New Construction and Acquisition/Rehabilitation • Preservation
25%	Priority Projects/Populations
15%	Need in the Community
15%	Financial Feasibility/Viability
15%	Sponsor and Developer Team Capacity

Scoring Committee

A scoring committee will be formed, similar to the group that was utilized in 2013, with diverse internal and external membership. The committee will be larger than last year and we will be examining how to minimize conflicts of interest of the members and the relationships to the projects that apply for resources.

Cost Containment

Cost containment is and has historically been an area of concern with regard to affordable housing units. As an initial measure to address this concern and in line with National Council of State Housing Agencies best practices, it is proposed that beginning in 2014, OHCS establish a target for cost per unit. The target would be based on historic data of projects funded understanding differences across regions and project types. If a proposed project's cost per unit is above the target the applicant would be required to submit a letter of explanation with respect to the projected cost per unit. Based on historic data the table below includes the proposed targets for 2014.

Oregon draft cost / unit	Studio	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Urban	\$200,000	\$222,000	\$272,000	\$306,000	\$325,000
Balance of State	\$145,000	\$162,000	\$205,000	\$258,000	\$275,000

Urban definitions would apply in the Metro Region and to any project where the project meets two urban project criteria (e.g. more than four stories, elevator, required structured parking, located on urban infill site).



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Date: February 7, 2014

To: State Housing Council Members

From: Julie V. Cody, Program Delivery Administrator

Re: **Multifamily Housing Program Rule Update and Recommendation**

In preparation for the 2014 Multifamily Notice of Funding Availability (NOFA), staff is working to update the Oregon Administrative Rules (OARs) that pertain to the multifamily programs. This memo will provide some background on where the OARs are today and provide you with an update of the process to get to permanent rule for the next NOFA.

ACTION REQUIRED

1. Provide OHCS Director feedback on the 2014 Multifamily Housing Finance Low Income Housing Tax Credit (LIHTC) Notice of Funding Availability (NOFA) recommendations (see separate memo to Margaret Van Vliet, dated February 7, 2013 outlining recommendations for the 2014 Multifamily Housing Finance LIHTC NOFA).
2. Provide staff direction on State Housing Council's Loan and Grant Approval Limits.

GENERAL RULE PROCESS

Background

In preparation for the 2013 Multifamily NOFAs, OHCS enacted temporary OARs after a prolonged stakeholder outreach process and development of a new competitive application and scoring methodology. The temporary OARs incorporated two manuals – 9% LIHTC Manual and General Guideline Manual.

In order to provide time after the 2013 NOFA process to check in with stakeholders and make adjustments to the newly developed process, it was determined that the temporary rules would be allowed to expire and new permanent rules would be developed and codified prior to the 2014 NOFA process.

Update

OHCS staff held three public outreach sessions with partners and stakeholders to gather feedback on the 2013 NOFA application process, content and evaluation methodology, as well as potential 2014 priorities and set-asides. Based on the feedback that was received a set of recommendations for changes and/or enhancements have been drafted for the Director's consideration for the 2014 NOFA process.



The Council is being asked to provide the Director with its best thinking on the recommendations prior to the Director making decisions that will then be codified in Multifamily OARs and future NOFAs.

Based on feedback, staff is working to revise the application and NOFA to simplify the process and provide a better flow and ease for the applicants, as well as the reviewers. Once the Director acts on the 2014 NOFA recommendations staff will be updating OARs and manuals to align with the new direction.

OHCS has set a very aggressive schedule for getting rules in place to allow for a 2014 LIHTC NOFA to be issued in mid-April. The public rule making process and all reviews, including DOJ, will dictate the actual timing of the next NOFA.

LOAN AND GRANT APPROVAL LIMITS

Background

State Housing Council (Council) has asked for additional information around the OAR language pertaining to Loan/Grant Approval Limits. The original permanent OAR language states Council would approve loans or grants to a project over \$100,000, individually or in aggregate.

During a Council meeting on January 22, 2010, Council adopted a Grant and Loan Approval Limit Policy as follows:

“For individual grants and loans to a project the limit is greater than \$200,000; for aggregate grants and loans the limit is \$400,000 per project.”

The Rationale for discussing the approval limits was based on the fact that there had been a legislative change that allows Council to set a threshold of when projects would come before them for approval. The limit had been set at \$100,000 for a long period of time and Council wanted to find out what it would look like if the limits were raised to \$200,000 individual and \$400,000 in aggregate. Discussion also revolved around the newly established Document Recording Fee, in the sense that Council would see an increase in the number of projects that would come before Council.

At the January 22, 2010 meeting it was also agreed that the limits would be revisited and presented to the Council on an annual basis. It was around this time that OHCS undertook a large scale rule clean-up process that has yet to be fully enacted. The newly set approval limits were transferred into the draft OARs and it does not appear that OHCS staff formally revisited or presented to the Council since policy adoption in January 2010.

When temporary OARs were put in place for the 2013 NOFA process, the approval limits were pulled from the draft OARs that had utilized the policy that has been set back in 2010 by the Council.

Update

In reviewing the information to understand the rationale as to how the approval limit policy was set in 2010, staff believes that the \$200,000 individual and \$400,000 aggregate loan and grant limits reasonable. The limits allow OHCS staff to be responsive to dynamic real estate transactions as they move from initial allocation of resources to the closing table. When the original \$100,000 limit was set, the amount of funds needed by any project was very different than the landscape we work in today where there are many more funders involved and the market fluctuates a great deal from original award to closing on the financial structure and getting the project built.

Recommendation

Staff respectfully requests Council provide direction to OHCS to set the Loan and Grant Approval Limits as follows:

For individual grants and loans to a project the limit is greater than \$200,000; for aggregate grants and loans the limit is \$400,000 per project.

It is further contemplated that staff would bring a report to Council on a monthly or quarterly basis as to all loan and grants that have been approved by the Director that are below the recommended limits, and that the Council would revisit the limits on an annual basis and make adjustments if necessary.



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Date: February 7, 2014

To: State Housing Council Members

From: Julie V. Cody, Program Delivery Administrator

Re: **Recommended Changes to the 2013 Qualified Allocation Plan**

After reviewing the 2013 Qualified Allocation Plan (QAP), staff are proposing one change to the QAP to be implemented prior to issuing any Multifamily Notices of Funding Availability (NOFA) in 2014.

Below is the current language, which can be found on Page 6 of the 2013 QAP, Section D - DEPARTMENT PREFERENCES, SELECTION CRITERIA, AND SET-ASIDES; Paragraph 2 – Selection Criteria, after subparagraph t:

“Applications for competitive tax credit allocation are evaluated in the context of the given application and the financial feasibility or capability of the applicant to fulfill or perform each selection criteria activity. Certain threshold requirements must be met for all projects, unless otherwise stated in any Addenda. Proposals not meeting threshold requirements will not be processed further. Threshold requirements include: Asset Management Compliance Review; Program Compliance Review; Resident Services Description Review; Readiness to Proceed; Financial Feasibility; Development Team Capacity; and Ownership Integrity.”

RECOMMENDATION

Given the proposed changes in the competitive scoring criteria and the inclusion of the threshold requirements into the competitive scoring model, it is being recommended that the paragraph should be changed to read as follows:

“Applications for competitive tax credit allocation are evaluated in the context of the given application and the financial feasibility or capability of the applicant to fulfill or perform each selection criteria activity. ”

The Selection Criteria language will continue to end with language that states applicants should refer to the individual competitive funding notices for specific application procedures and detailed selection criteria and scoring. The specificity of the language to be struck as part of this proposal is not in line with the overall direction that the QAP meet the minimum federal regulatory requirements, leaving specificity around application and scoring for inclusion in the rules, program manuals, and individual NOFAs.

For your reference, attached is a copy of the 2014 QAP that has been redlined against the current 2013 QAP.



ACTION

Authorization to move forward with recommended changes to 2014 QAP. By authorizing this action staff will begin the formal public process to enact the change. At the end of the public process State Housing Council will see the final product and recommend action by the Governor.