REACH Community Development

September 23, 2017

Thank you for the opportunity to comment on the Affordable Housing Bond Draft Policy Framework. We appreciate the time that staff and the Stakeholder Advisory Group (SAG) have committed to this effort.

We have focused our comments on four areas of the framework that we believe are unclear or need further consideration as outlined below:

1. LEVERAGING OPTIONS

   - There are many areas in the document that discuss leveraging the bonds to the best of the City's ability yet there are inherent difficulties in doing that with this type of bond. Clarity is needed regarding the leveraging options and whether they are viable or not.

   - Low Income Housing Tax Credits (LIHTCs) are the most valuable resource available for the production and preservation of affordable housing. Since the bond cannot leverage this resource, the SAG should think in terms of how best to leverage all City funds for the largest impact.

   - Therefore, we would suggest the City and the SAG outline all housing development resources available to the City and how best to expend those to produce the most units.

2. LOCATION PRIORITIES

   - Location Priorities are at odds with each other as described on Page 8: "Build and support economically and racially diverse neighborhoods in areas of high opportunity (areas with existing concentrations of poverty and very low-income housing should be of lower priority)" and "Focus on preventing displacement".

     As we've seen with non-regulated housing, neighborhoods can turn from concentrated poverty to displacement seemingly overnight. Regulated affordable housing prevents quick market turn.

   - The outlined targets listed on pages 9-11 further create conflicting priorities. We suggest weighting or ranking the various priorities so it is clear what is most important to achieve.

3. CREATIVE STRATEGIES

   - Page 12: "Exploring using bond funds to acquire the land only and utilize other financing for the construction of the buildings."

     If this is a valid strategy, then how would the City have enough funds available to deliver the units? Since it is understood that the general obligation bond funds cannot currently be paired with LIHTCs, where would the equity come from in this strategy?

   - Page 13: "Explore and/or advocate for Oregon constitutional changes."

     Does this imply that the City would consider owning LIHTC deals if this was successfully changed?

4. OPERATIONS & SERVICES

   - Property Management and Asset Management are critical to ensuring the bond funds lead not just to the creation of units but to long term stable housing. We suggest that PHB use 3rd parties with the appropriate experience for these functions.

   - On page 15, the recommendation for services mentions access to high quality, individually tailored resident services and continues by stating that "Costs for resident services are incorporated into the ongoing operating costs of the building which are derived from net operating income after repair and resources are capitalized".

     We are not aware of any building that can pay for these types of services solely from the project budget and if you are serving very low-income households that is even more infeasible. Who does PHB envision providing services? Page 16, Funding and Service Partnerships, seems to suggest City staff will provide resident services?

   - Since bond funds cannot pay for Permanent Supportive Housing or other supportive housing and the bond is supposed to serve this population, what source of funds will the City use to provide these services? The document seems to suggest other entities will provide supportive services through collaboration but there will still need to be a dedicated source of funds to pay for those partnerships.

Thank you again for your time outlining a framework for the use of bond funds in the production of much needed affordable housing in Portland. If you have any questions regarding these comments, please contact me at 503-501-5735 or jwoodruff@reachcdc.org.

Sincerely,

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Date: September 8, 2017

To: Housing Stability Council Members
Margaret Solle Salazar, Director

From: Julie V. Cody, Assistant Director Housing Finance
Heather Pate, Multifamily Finance Section Manager
Natasha Detweiler-Daby, Housing Finance Policy

Re: Plan for 2018 Multifamily Fund Offerings

Motion: Housing Stability Council gives its approval of the 2018 Multifamily Housing Finance calendar and resources as presented [or revised with input during meeting] to support the development of new housing, as well as the preservation of existing subsidized and naturally affordable housing.

Overview:

In order to provide potential project sponsors with clarity around the next year's funding opportunities, we have worked to align the available resources with funding opportunities to be released in the next year. The resources considered here include both existing recurring as well as new or one-time programmatic efforts. We present this to Housing Stability Council for input and overall approval to move forward with the proposed allocation of gap funds to the key policy areas of: new construction, and the preservation of existing subsidized or un-subsidized (such as Manufactured Parks) affordable housing. As new program solicitations are developed, staff plans to continue to engage Council to resolve key policy questions.

Specifically this analysis and recommendation incorporates the following multifamily development resources to be made available by OHCS in 2018:

- OHCS Gap funding resources (GHAP and HDGP)
    - Based on forward allocation methods supported and reviewed by OHCS Fiscal
- Federal Low Income Housing Tax Credits
- LIFT Article XI-Q Bonds allocated through the Legislature
- Oregon Affordable Housing Tax Credits
- Agricultural Workforce Affordable Housing Tax Credits
- Federal HOME funds
- Federal Housing Trust Funds
- Lottery Backed Bonds allocated through the Legislature
- Mental Health Housing Funds allocated by the Legislature

EQUAL HOUSING OPPORTUNITY

In order to provide best ability to leverage resources, in addition to streamlining efforts to increase capacity within the Multifamily Housing Finance, to the best of our abilities we have aligned fund offerings to occur either in January 2018 or in the Fall of 2018. By consolidating the time when the section is working on funding solicitations, staff are better able to exclusively dedicate time to moving projects forward in addition to providing increased clarity and certainty to project sponsors.

The gap (GHAP and HDGP) resources identified here for 2018 are higher than would normally been allocated within one calendar year; this is because OHCS set aside gap resources in 2017 to help fill funding gaps attributed to Low Income Housing Tax Credit (LIHTC) pricing gap changes. Staff worked with project sponsors to review and determine solutions to pricing gaps in projects; they were together very successful in stewarding state resources. The majority of 9% LIHTC transactions were able to have their gaps filled through leveraging some additional credits and more modest than anticipated cash was needed to settle gaps attributed to pricing in the balance of projects, both through value engineering, the pursuit of other resources, as well as final tax credit pricing which was better than the worst-case scenario. As a result, OHCS has a larger than typical balance of gap resources to allocate in 2018.

Proposed Funding Solicitations:

- **9% LIHTC and HOME NOFAs** (January 2018 – detailed dollar and credit recommendations presented later in document):
    - The Gap resources incorporated are based on historic offerings project compositions and program caps for these resources; OAHTC resources would focus on their use to deep skew rents and serve households at lower incomes.
    - While this past year has been spent revisiting tax credit pricing, and now seeing construction cost escalations, the expectation is that future applicants would have complete foresight into these challenges in developing overall project design and would have that acknowledged with balanced sources and uses that works with lower tax credit pricing. Projects will additionally be asked to put in construction cost escalations more in line with what the market is currently experiencing versus low estimates used previously. These actions should mediate any recurrence of the issues experienced in this past year.
    - New to this offering are the Federal Housing Trust funds, which are specifically to be used in units that are affordable to households at 30 percent AMI. As outlined in the Annual Plan and Consolidated Plan, OHCS intends to offer these resources within the 9% LIHTC and HOME NOFAs. Implementing this will take some work, and program staff is currently working on calling out specific actions that will need to be taken and/or addressed.

- **LIFT** (Fall 2017 and Fall 2018):
  - As currently incorporated into the draft LIFT framework, LIFT resources would have a soft set-aside between rental and homeownership activities; where the initial target is based on 20 percent of the resources being dedicated to homeownership. If annual target is not met, the subsequent year's soft set-aside would be updated to strive to achieve an overall programmatic 80 percent / 20 percent split between activities.
- **Other New Construction Gap Fund Offerings** (available for 4% applications beginning January 2018):
  - We propose making an additional $5 million in gap resources available through the 4% LIHTC application process, beginning in January 2018 for new construction activities. These resources would require the use of OHCS issued bonds and would be reserved through the pre-application process on a first-come first-served basis with established for proceeding with project development in a timely manner in order to retain the reservation. Our intent here is not to create competition with the LIFT program, but to acknowledge that not all types of new construction would be in line with the priorities of the LIFT program.
- **Preservation Fund Offerings** (varies, see detail):
  - Federally assisted (Fall 2018): The 2017 Legislature allocated $25 million in Lottery Backed Bond funds to fund projects with expiring federal rent subsidy; these resources will be made available through a spring 2019 bond sale. These resources cannot be used for properties other than those with federal rent subsidy. These resources would require the use of OHCS issued bonds and would be reserved through the pre-application process on a first-come first-served basis with established for proceeding with project development in a timely manner in order to retain the reservation.
  - Existing subsidized affordable housing within the current OHCS portfolio (available beginning January 2018): As documented extensively in the 2016 Secretary of State OHCS Performance Audit, there is additional need for the preservation of projects with other forms of affordability restrictions that are included in the OHCS portfolio. Since these projects were not included in the Legislative allocation of preservation resources, we recommend a significant, $15 million, portion of the available OHCS resources to serve as gap funding for 4% LIHTC preservation of portfolio affordable housing projects. These resources would require the use of OHCS issued bonds and would be reserved through the pre-application process on a first-come first-served basis with established for proceeding with project development in a timely manner in order to retain the reservation.
  - Manufactured Housing Parks: The other form of preservation that is in demand is the preservation of un-subsidized affordable housing, specifically Manufactured Parks. This proposal contemplates allocating $10 million in gap funding resources and OAHTC to these activities. These resources would be put out through a NOFA on a first-come first-served basis in January 2018, with clear performance expectations that must be met in order to retain the reservation.

- **Oregon Affordable Housing Tax Credit (OAHTC) Policy**:
  - OAHTC resources are more than adequate given the recent increase in the program annual cap, and are contemplated to be dedicated to projects where they are able to be used to deep skew rents in a significant manner (50% AMI or below) to best serve the target population; or in the preservation of federal rent subsidy where they create a significant equity leverage to foster project viability.
- **Mental Health Housing Program**:
  - In total $20 million in funds were allocated to Mental Health Housing Funds; upwards of $5 million in these resources are anticipated to be available following the closure of the current Veterans NOFA which is working to leverage a portion of this funding source.
  - Before moving forward with any additional solicitation for projects to use these funds, OHCS plans to issue a Request for Information (RFI) where potential project sponsors can identify the housing strategies they intend to pursue, and any potential limitations of prior solicitations. A future fund offering would be framed by a new Advisory Committee as outlined in recent legislation.
- **Land Acquisition program**:
  - This is a new program approved by the 2017 Oregon Legislature which OHCS hopes to develop and implement in the upcoming calendar year.
- **Agricultural Workforce Housing Tax Credit (AWHTC)**:
  - This program is traditionally open at the start of the calendar year and tax credits are reserved on a first-come first-served basis; this is recommended to continue.
  - The program information and application will be updated and published in the last quarter of the 2017 calendar year; the first eligible day for submission for 2018 credits will be the first working day of the calendar year.
- **HUD 811**:
  - All funding opportunities will require, to the best of the projects abilities understanding that there are barriers and limitations, the leverage of the OHCS HUD 811 project based rental assistance resources.
- **Low Income Weatherization**:
  - In addition to the funds listed in the table below, Low Income Weatherization funds will be made available and prioritized for those receiving funds through an OHCS fund offering.

<u>Proposal</u>: Multifamily Development Offerings for 2018

	Availability	OHCS Gap funding resources	Federal Low Income Housing Tax Credits	LIFT funds	OAHTC Loan Amount	AWHTC	HOME Funds	Federal Housing Trust Fund	Lottery Backed Bonds	Other State Funds
LIFT Rental	Competitive NOFA, late 2017 & Competitive NOFA, fall 2018		*capped by bond authority*	$32,000,000 $32,000,000	$15,000,000					
LIFT Homeownership	Competitive NOFA, late 2017 & Competitive NOFA, fall 2018			$8,000,000 $8,000,000						
9% LIHTC	Competitive NOFA, January 2018	$4,000,000	approx $9 million		$10,000,000		$2,500,000	$5,528,908		
HOME NOFA	Competitive NOFA, January 2018	$1,500,000			$3,000,000		$2,500,000			
Agricultural Workforce Housing Tax Credits	First-Come-First-Served Application with Annual Tax Credits Available, January 2018					$7,250,000				
4% LIHTC portfolio Preservation	First-Come-First-Served with Policy Parameters; Application with Funds Available, January 2018	$15,000,000	*capped by bond authority*		$15,000,000					
4% LIHTC new construction	First-Come-First-Served with Policy Parameters; Application with Funds Available, January 2018	$5,000,000	*capped by bond authority*		$15,000,000					
Manufactured Park Preservation	First-Come-First-Served with Policy Parameters; Application with Funds Available, January 2018	$10,000,000			$10,000,000					
4% LIHTC Federal Rent Subsidy Preservation	First-Come-First-Served with Policy Parameters; Application with Funds Available, fall 2018		*capped by bond authority*		$15,000,000				$25,000,000	
Mental Health Housing Fund Solicitation (TBD)	Solicitation TBD									$5,000,000+
Land Acquisition	Solicitation TBD									$3,000,000
Total Allocated to Offerings:		$35,500,000		$80,000,000	$83,000,000	$7,250,000	$5,000,000	$5,528,908	$25,000,000	$8,000,000+

2018 Multifamily Fund Offerings Memo
September 8, 2017