Housing Stability Council
LIFT 3.0 Program Design Framework
November 1, 2019

The Local Innovation and Fast Track (LIFT) Housing Program's objective is to build new affordable housing for low income households, especially families. In 2017, the Oregon Legislature committed $80 million of general obligation Article XI-Q bonds to fund the LIFT program in 2018 and 2019. In 2019, the Oregon Legislature committed $150 million of general obligation Article XI-Q bonds to fund the LIFT program in 2020 and 2021. Due to the requirements of Article XI Q bonds, OHCS has an operating interest in developments where LIFT funds are used. This document will be used to establish a fund offering for the first allocation of these resources for the 2019-21 biennium; referred to as LIFT 3.0.

Program Goals and Outcome Measures:
The primary goals of the LIFT program are:

1. Create a large number of new affordable family-sized housing units to serve low income Oregonian families.
2. Serve historically underserved communities, including communities of color and rural communities throughout Oregon.

Secondary goals of the LIFT program are:

1. Place affordable housing units to serve families in service as quickly as possible.
2. Serve families earning at or below 60% Area Median Income (AMI) through rental housing and families earning at or below 80% AMI (AMI as defined in ORS) in homeownership housing; focusing on service connections including but not limited to those from the Oregon Department of Human Services (DHS) child welfare or family self-sufficiency programs, Community Action Agencies, Coordinated Care Organizations, and Homeownership Centers.
3. Identify building strategies that require lower state subsidy or results in a lower cost of affordable housing development.

Outcome measures of the LIFT program are:

1. Increase in affordable housing inventory; measured by the number of new units built.
    a. More affordable housing units available in rural communities.
    b. More affordable housing units available that serve communities of color

2. Low state subsidy per unit; measured by program target.
3. Implement construction cost evaluation; measured through comparison of the construction costs for projects funded with LIFT proceeds to traditional housing construction, such as RS Means.

LIFT 3.0 Fund Allocations and Rental and Homeownership Set-Asides

OHCS was awarded a total of $150 million in Article XI-Q bonds for the LIFT program. These funds will be allocated to OHCS in two different $75 million bond sales of anticipated for the spring 2020 and the spring 2021. In total, 80 percent of the LIFT funds will be set-aside to develop rental housing opportunities, and 20 percent will be set-aside to develop homeownership opportunities. If either of the next offerings are undersubscribed and the other is oversubscribed, OHCS reserves the right to move funding from the undersubscribed offering to the oversubscribed offering in order to fund additional projects and reserve as much of the LIFT funding as possible.

Serving Historically Underserved Communities

To meet the statutory goals of LIFT and to further OHCS' policy priorities around racial equity, all projects, in both rural and urban areas, <u>are required to serve communities of color </u>(more detail is provided below).

Rural and Urban Set-asides

Half of the LIFT funds will be set-aside to serve rural communities and half will be set aside for urban communities; if there are not enough viable applications to utilize all resources within either one of the set-asides, funds will be moved to the general pool for consideration <u>Projects in rural areas will be scored against other rural projects and urban projects will be scored against urban projects.</u>

Rural Communities

Rural communities are defined as Oregon communities outside the Portland Metro Urban Growth Boundary with a population of 15,000 or less in counties within Metropolitan Statistical Areas (Benton, Clackamas, Columbia, Deschutes, Jackson, Lane, Marion, Multnomah, Polk, Washington and Yamhill Counties) and communities with a population of 40,000 or less in the balance of the state.

Urban Communities

Urban Communities include all locations that do not meet the criteria for Rural communities as defined above.

Prior offerings of LIFT were limited to projects serving either rural communities OR communities of color. While this approach focused LIFT on historically underserved communities, it did not reflect the fact that there are communities of color in rural areas, nor did it provide opportunity to incentivize, through points, comprehensive service to communities of color. In order to maintain the intent of serving historically underserved communities, all projects will be required to meet threshold standards for service to communities of color in addition to being incentivized through points to approach such service in a comprehensive manner.

Service to Communities of Color

As discussed above, all projects must demonstrate efforts to serve communities of color to be eligible for LIFT funding. Service to communities of color can be achieved in a number of ways, and should be relevant to the community in which the project is located and the target population anticipated to be served. OHCS recognizes that these approaches may look very different in urban communities which could have a larger array of culturally specific or responsive developers or service providers in close proximity, than in rural communities where such organizations may not be as present. Furthermore, we are aware that some communities are more diverse than others and the outreach strategies must be tailored appropriately. Any approach that is chosen must include intentional and meaningful engagement of communities of color in services planning for the development.

All LIFT projects are required to plan to address equity and diversity in the project through the use of Disabled Veteran, Minority, Women and Emerging Small Business (DMWESB) contracting, sub-contracting, and professional services.

Each sponsor is required to sign a Diversity, Equity, and Inclusion agreement. Each sponsor will also be required to submit a relevant marketing and outreach plan designed to publicize the availability of new housing opportunities created by the project to communities of color in the applicant's service area, and to affirmatively further fair housing. Beyond those threshold requirements, OHCS will create a scored element related to serving communities of color.

OHCS will assign scoring to the factors below that would show service to communities of color:

i. Development, sponsorship or management of the property by a culturally specific or culturally responsive organization with a diverse and representative leadership.
ii. An ongoing service partnership with a culturally specific or culturally responsive organization (applies to rental projects only).
iii. A project explicitly designed and located to address displacement of communities of color.
iv. Agreements with area service providers to engage in culturally appropriate services

Note: It is not expected that a single project would incorporate all of the criteria listed above

Project Selection

A solicitation for projects will be conducted through a streamlined competitive notice of funding availability (NOFA); there will be separate applications developed for LIFT Rental activities and LIFT Homeownership activities. There will be an associated application fee for all LIFT 3.0 applications.

1. All applications need to meet threshold requirements as summarized below and articulated in the NOFA in order to move forward to competitive scoring.
2. A scoring committee (Committee) comprised of representatives from communities of color, rural communities, OHCS and DHS leadership, and other relevant policy and development expertise will be assembled to review all applications that have met the threshold requirements.
3. The job of the Committee will be to rate and rank project applications, and to make funding recommendations to the Executive Director of OHCS.
4. The Executive Director of OHCS will review the recommendations of the Committee, and reserves the right to modify the recommendations before making a final funding recommendation to the Housing Stability Council.

Minimum Requirements

All projects must meet the following threshold requirements to be eligible for competitive scoring. In some cases, OHCS will have a preference for exceeding these minimum requirements which are detailed below under selection criteria.

1. LIFT Subsidy:
    a. LIFT Rental Subsidy:
        i. In addition to LIFT funds:
            1. OHCS will make OAHTC available where it results in deep rent skewing; serving households at or below 50% AMI.
            2. Projects are encouraged to leverage OHCS weatherization funds through the Multifamily Energy Program (MEP) for which they will be able get a conditional reservation in advance of the NOFA application; these funds are helpful to offset costs of building that directly result in energy savings.
            3. Rental housing projects may utilize 4% Low Income Housing Tax Credits (LIHTC). If applicant chooses to do so, all components of the 4% LIHTC program, including project feasibility review and due diligence associated with the 4% LIHTC program, will apply; upon reservation of LIFT funds the 4% LIHTC timeline will be determined.
        ii. LIFT Rental Applicants may request up to the following maximum subsidies based on location and bedroom size:

	0-2 Bedroom	**3+ Bedroom**
Urban	$ 75,000	$125,000
Rural	$125,000	$175,000

As established below, there will be low subsidy consideration given to those projects requesting funding amounts below the funding caps.

Scoring based on maximum subsidies will be as follows:

Request	**Points**	
	Urban	**Rural**
50% of maximum subsidy	20	20
60% of maximum subsidy	10	15
70% of maximum subsidy	5	10
More than 70% of maximum subsidy	0	5

iii. There will also be a scaled incentive for larger units

b. LIFT Homeownership Subsidy:

i. Homeowners will be eligible to access the Oregon Bond Residential Loan Program in LIFT projects.

ii. Sponsors of LIFT Homeownership applications may request LIFT subsidy up to the lesser of:

1. The value of the Land plus Land Improvements / Site-Work (excluding any structures),
    a. Valuation can be shown through:
        i. an as-built appraisal
        ii. Real Market Value
        iii. Assessed Value
    b. LIFT loans can only be secured against the land used for the project

2. $100,000 per LIFT homeownership unit

a. Projects requesting $75,000 per LIFT unit or less will receive primary consideration and be attributed with 20 points in the application process
b. Projects requesting $75,001 - $100,000 per LIFT unit or less will receive secondary consideration and be attributed with 10 points in the application process

2. LIFT funds are eligible for any net increase to housing; this can be through new construction of homeownership or rental housing units or the repurposing of existing non-residential structures for homeownership or rental housing units.
3. When used without 4% LIHTC, a minimum affordability period of 20 years from the time the project is placed in service, or the length of time the Article XI-Q Bonds are outstanding, whichever is greater will be required. When used with 4% LIHTC, a minimum affordability period of 30 years from the time the project is placed in service, will be required.
4. In LIFT Rental housing: 100% of the new units funded with LIFT resources must be available for households earning at or below 60% AMI at the time of initial lease. Tenants may stay in their unit regardless of future income.
    a. If a rental project is structured to serve a mix of incomes, and will serve households with incomes greater than 60% AMI, OHCS will work with the sponsor to establish a “next available unit rule” and protocols regarding rents for low income tenants who become over-income.
5. In LIFT Homeownership housing: 100% of the new units funded with LIFT resources must be available and affordable to households earning at or below 80% AMI at the time of sale for the duration of the affordability period.
6. In LIFT Rental housing, maximum rents allowable for 100% of the units financed with LIFT will be based on 60% AMI standards.
7. Minimum Construction Standards:
    a. **Methods:** Both traditional and alternative methods of construction are allowable; construction which is innovative or contains costs is encouraged.

b. **Quality:** Construction that balances initial cost of building with on-going cost of operation for both the building owner and the tenants (energy standards); ensuring that additional costs are not passed on to tenants.

c. **Durability:** 30-year building standards.

d. **Other Requirements:** If other public capital or operating subsidy is used from any source, relevant requirements of those sources will be assumed to apply.

8. Timeline of development:

    a. LIFT Rental units must be ready for initial lease-up within 36 months of a LIFT funding reservation.

    b. LIFT Homeownership units must be ready for initial sale within 36 months of a LIFT funding reservation.

    Not abiding by established milestone deadlines in good faith will result in OHCS rescinding funding reservation. A guiding principle of LIFT is the expedient delivery of housing to serve Oregonians; submitted projects must be able to move forward in a timely and responsive manner.

9. Sponsors need to demonstrate that the development team has relevant experience with the development and operation of affordable housing. Where needed, technical assistance may be provided to applicants looking to create sustainable partnerships; project sponsors without development experience will be urged to create partnerships with developers with adequate experience in affordable housing development.

10. Underwriting guidelines will be applied by OHCS in its due diligence and project review process to ensure ongoing project viability, and risk mitigation associated with the funding source's requirement for OHCS to own or operate the project. Such guidelines will require the inclusion of applicable LIFT program charges (e.g. application charges, document preparation charges, OHCS' legal charges, recipient charges, on-going compliance monitoring charges, etc.); and will be consistent with the industry standard minimum requirements of mortgage lenders, investors, and other potential public funding sources.

    a. For LIFT Rental these will likely include loan-to-value, debt coverage, expense ratios, and reserve requirements.

    b. For LIFT Homeownership these will likely include valuation of land, operating budget, and market considerations.

11. Developer Fees:
    a. LIFT Rental Developer Fee will be capped at a rate 2 percentage points less than allowed through federal tax credit projects as defined in the most recent OHCS Qualified Allocation Plan.
    b. The LIFT Homeownership Developer Fee is the profit on the sales of homes and is expected to be reasonable and below market rate.
12. Compliance monitoring throughout the period of affordability will be similar to other state-funded housing. The purpose of compliance monitoring is to manage risk to the State investment and to affordable housing developments.

Selection Criteria for LIFT Rental Applications:

Urban and rural criteria will differ in implementation in order to effectively target resources. Projects that meet or exceed the minimum requirements outlined will be ranked based on clear selection criteria, which will be further developed in the NOFA solicitation. Below are some initial selection criteria for primary consideration applications:

1. Scaled preference points will be awarded for family-sized units
2. Higher subsidies are available for units that are 3+ bedrooms
3. Demonstration of readiness to proceed; preference points will be given to those projects that can demonstrate they are ready to move forward with the development process in a short time frame.
4. Established partnerships, through Memoranda of Understanding to serve DHS, Community Action Agency, Coordinated Care Organization or other service organization clients earning at or below 60% AMI.
5. Rents affordable to households at lower AMI.
6. Demonstration of construction costs that are lower than comparable industry norms.
7. Demonstrated innovation, efficiency and replicability of building development or finance strategy.
8. Plans to address equity and diversity in the project through the use of Disabled Veterans, Minority, Women and Emerging Small Business (DMWESB) contracting, sub-contracting, and professional services and each sponsor signing a Diversity, Equity, and Inclusion agreement
9. Demonstration of financial viability

10. Demonstration of capacity of the development team.
11. Demonstration of sponsor capacity with OHCS Asset Management and Compliance
12. Serving communities of color

Selection Criteria for Homeownership Applications:

Urban and rural criteria will differ in implementation in order to effectively target resources. Projects that meet or exceed the threshold requirements outlined will be ranked based on clear selection criteria, which will be further developed in the NOFA solicitation. Below are some initial selection criteria for primary consideration applications:

1. Requested loan amount supported by valuation of land or land and infrastructure provided at application. Where appraisals are not able to be provided by application submission date, requests above the Real Market Value or Assessed Value (required to be provided at application) will be considered only if the applicant is able to guarantee coverage of any gap in the requested LIFT loan amount due to an appraisal coming in lower than the LIFT request. Acceptable forms of gap coverage are cash or a loan.
2. Preference for lower subsidy per unit; preference points will be given to those projects requiring less LIFT subsidy per unit within the allowable per-unit caps as established above.
3. Demonstration of readiness to proceed; preference points will be given to those projects that can demonstrate they are ready to move forward with the development process in a short time frame.
4. Established partnerships (through Memoranda of Understanding) with Homeownership Center providing pre and post purchase homeownership counseling and support.
5. Demonstration of construction costs that are lower than comparable industry norms.
6. Demonstrated innovation, efficiency and replicability of building development strategy.
7. Plans to address equity and diversity in the project through the use of Disabled Veterans, Minority, Women and Emerging Small Business (DMWESB) contracting, sub-contracting, and professional services and each sponsor signing a Diversity, Equity and Inclusion agreement.
8. Demonstration of financial viability
9. Demonstration of capacity of the development team.

10. Demonstration of capacity of management group.
11. Serving communities of color
12. The land for condominiums must be owned at closing by the party who is receiving the LIFT loan