

## Local Innovation and Fast Track Housing Program

### **SUMMARY**

The Local Innovation and Fast Track (LIFT) Housing Program will build new affordable housing for low income families. In 2015, the Oregon Legislature committed \$40 million of general obligation Article XI-Q bonds to fund the program, a new source of affordable housing dollars. Using this new funding source will allow Oregon Housing and Community Services and its partners to test innovative strategies and create a modern model of affordable housing development, building upon years of experience, expertise, and success.

Oregon Housing and Community Services (OHCS) together with the Housing Stability Council and its subcommittees have developed a plan to efficiently use the newly committed funds and to maximize the impact in communities across the state.

### PROGRAM GOALS

Given direction provided through the legislative process, the stakeholder process, and guidance from Governor Brown, OHCS hopes to achieve several goals related to the type and number of units produced, as well as the expected outcomes for the households who will live in the units. OHCS will strive for:

- More affordable rental housing units available in rural communities with populations under 25,000.
- More affordable rental housing units available that serve communities of color.
- Vulnerable households are stabilized.
- Innovative cost containment strategies that can be replicated.
- Homes available as quickly as possible.
- Build at least 1,250 affordable rental housing units.

### PROGRAM FRAMEWORK

OHCS will allocate funding for rural communities and will prioritize serving communities of color. Achieving geographic diversity will be a central theme in OHCS's allocation process.

OHCS will target funds to focus on these priorities:

- Forming partnerships with Oregon Department of Human Services district offices in order to serve program participants; or
- Innovation construction or development approaches and cost containment.

Solicitation for projects will be conducted through a streamlined competition. We will assemble diverse experts from communities of color, real estate development, and rural communities to help score and select winning projects.

## **CONSTITUTIONAL REQUIREMENTS**

The use of general obligation, Article XI Q bonds means that the state either needs to own or operate the asset. Working together with legal experts, OHCS has identified several approaches to fulfill this requirement:

**Through operating the property:** The State of Oregon would be a limited partner or member. OHCS would be responsible for key aspects of the housing including: hiring and firing of the property management firm, leasing criteria, major repairs, and other substantive operating policies.

**Through an ownership interest:** There are a number of potential pathways to fulfill the ownership requirement, which revolve around a fee simple ownership structure. This may include a tenancy in common model, or ownership of the land by OHCS with an unsubordinated land lease.

## MINIMUM REQUIREMENTS

All proposed projects will need to meet the following minimum requirements:

- ♦ Maximum LIFT subsidy per unit: \$32,000
- 100% of the newly constructed units financed with Article XI Q Bonds will be available for households earning at or below 60% area median income at the time of initial lease.
  Tenants may stay in their unit regardless of future income.

Projects will meet minimum construction standards for quality and durability, and developers will need to demonstrate solid experience. Projects will also meet minimum underwriting guidelines in order to manage the inherent risk of ownership or operation. There will be limitations on the developer fee. Compliance monitoring throughout the period of affordability will be minimal but still serve to mitigate risk to the State.

## **SELECTION CRITERIA**

Projects that meet or exceed the above minimum requirements will be ranked based on clearly laid out selection criteria. Projects which meet these criteria will receive preference:

- 1. Serving the lowest income households.
- 2. Lowest subsidy per unit.
- 3. Shortest development period.
- 4. Documented partnerships with community partners including: DHS field office, local Public Housing Authority, Community Action Agency, culturally specific service providers, and/or other service providers to provide rental assistance.
- 5. Plans to address equity and diversity in the project through the use of Minority, Women and Emerging Small Business (MWESB) contracting.

OHCS will employ a formula to determine community need based on the following factors: nonwhite and Hispanic poverty rate, family poverty rate, child abuse and neglect victim rate, extremely low income households with severe housing problems.

## SERVING DHS CLIENTS

For projects which choose to serve DHS clients either in the Child Welfare or Self-Sufficiency systems, the projects must set aside specific units in a project for these families. Projects will receive additional preference if they serve more DHS clients than required, create local partnerships and support for clients, or locate near community colleges, schools, or employment.

# INNOVATION AND COST CONTAINMENT

For projects that chose to meet the innovation or cost containment requirement, they will receive additional preference for a lower cost per square foot, demonstration of innovative building design or alternative construction methodology, a development strategy to lower costs, to provide the housing in an expedited timeline, demonstrate efficiency and replicability of building development strategies, and the ability to serve lower income households.

