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TO: Housing Stability Council
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SUBJECT: LIFT & LIFT Supplemental Briefing and Program Frameworks

Summary: The Homeownership Division is planning to release a Notice of Funding Availability (NOFA) for \$40M in Local Innovation and Fast Track (LIFT) funds and \$5M in LIFT Supplemental grants by January 2024. This memo provides an overview of the LIFT Homeownership program and growth to date as well as a program framework for the use of the new LIFT and LIFT Supplemental funds.

Background

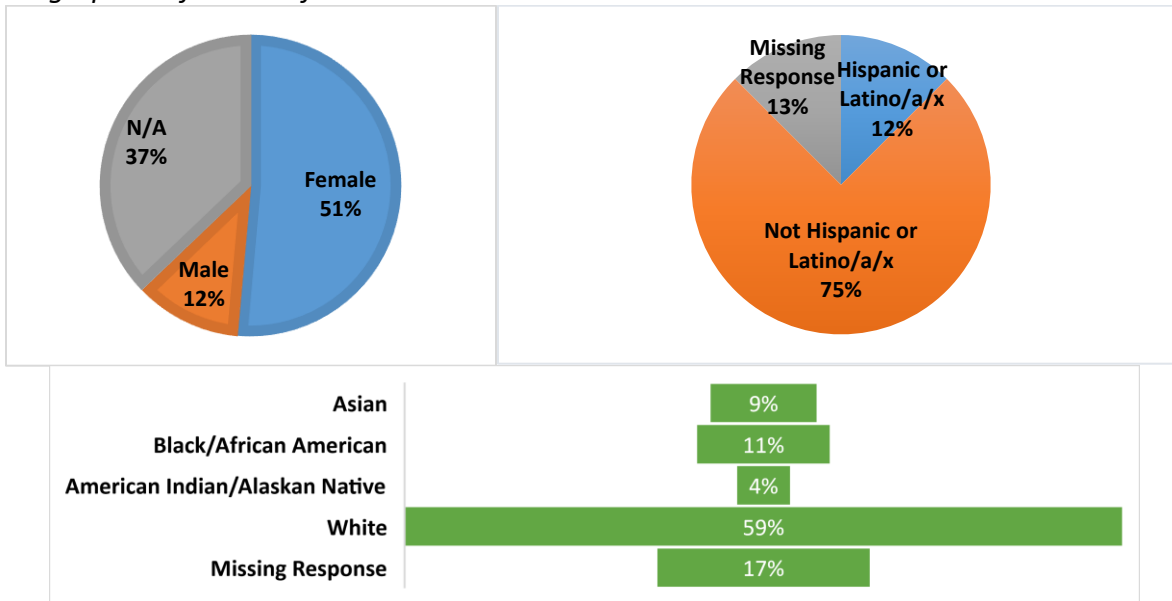
The objective of the Local Innovation and Fast Track (LIFT) Homeownership Program is to build new affordable homes for low-income households. With a focus on increasing housing supply, LIFT funds can only be used for new construction and homes must be ready for sale within 36 months of receiving a funding reservation. Utilizing Article XI-Q bond funding as a source for housing development, LIFT requires the state to have an ownership or operational interest in any real property developed. For homeownership opportunities, this means that projects must use a shared equity model such as a community land trust (CLT), condo, or leasehold property. Additionally, the LIFT award cannot exceed the appraised value of the land, including infrastructure/site work but excluding housing structures.

OHCS released the first NOFA for LIFT Homeownership in 2018. Demand for the program has grown over time as nonprofit developers have learned to navigate a complex source of funds. Additionally, more and more nonprofit developers have shifted to a CLT model. To date:

- OHCS has issued six LIFT Homeownership NOFAs.
- The program has grown from 8 unique awardees in its initial year, to 17 unique awardees in its portfolio.
- \$71.3 M in LIFT funds have supported the construction of 47 projects that will result in 752 homes affordable to Oregonians with an income of 80% area median income (AMI) or below.

- Despite having a 50% rural set aside in each NOFA, overall, 23% of LIFT projects are in rural areas. In 2023, 47% of the projects funded were in rural areas. This is likely due to the availability of LIFT Supplemental funding for the first time.
- 40 LIFT homes are complete and occupied by 90 individuals. The average household size in a LIFT home is 2.5. Additional homebuyer demographics are included in the graphics below.

Demographics of Heads of Household & Adult Co-Tenants in LIFT Homes¹



In the 2021 and 2022 legislative sessions, OHCS received \$40M in general funds to support Homeownership Development, half of which needed to be paired with LIFT projects. These funds enabled OHCS to develop a more robust homeownership development program, the Homeownership Development Incubator Program (HDIP), to address development needs that LIFT funds cannot. Below is an outline of HDIP programs, the 2023 allocations, and expected outcomes:

Program	Allocations	Expected Outcomes
Homeownership Market Cost Offset Fund (HMCOF) to offset increased hard construction costs for LIFT Homeownership awardees from 2020 and 2021.	\$6.5M to 11 LIFT projects	Deeper subsidy mitigates delays due to cost overruns. Projects are completed within the established timeframe.
Homeownership Grants for Tribal and Sovereign Nations seeking to	\$5M to 5 Tribal Federally	27 new homes built on tribal land by June 2026.; 11 tribal members

¹ Since collecting this data, we have updated our homebuyer demographics form to include more categories and fields.



or in the process of building homes for purchase within their community.	Recognized Tribes	become homeowners through downpayment assistance funds 8 homeowners can complete critical repairs
Pre-development & Capacity Building Grants to build the capacity of organizations that are seeking to develop more housing.	\$1.6M to 14 organizations	10 organizations hire new staff members; 10 projects complete predevelopment work; Capacity building activities lead to the eventual development of more than 159 homes
Development Subsidies Grants for homeownership development projects that take a culturally responsive approach to designing and building housing and cannot be supported by LIFT.	\$10M to 7 projects	58 homes, built by June 2026, that will be affordable to households with an income 120% or below
LIFT Supplemental Grants to provide deeper subsidy in LIFT projects.	\$16M to 11 projects	Decreased barriers to leveraging LIFT funds led to more new and rural applicants. The deeper subsidy will lead to the successful completion of 234 homes also funded by LIFT.

LIFT & LIFT Supplemental Framework

In the 2023 legislative session, OHCS received over \$600M in Article XI-Q bonds, \$40M of which will go towards LIFT Homeownership for 2024. Additionally, OHCS received \$5M in general funds to ensure LIFT Homeownership can reach rural communities and build the density needed to address our supply crisis (HB 5506). The primary goals of the LIFT Homeownership program remain unchanged from prior years. LIFT program goals are to increase access to generational wealth building through homeownership by:

- Creating new affordable homeownership homes that serve historically underserved communities, especially communities of color;
- Fostering increased homeownership opportunities in rural areas and greater density in urban areas. The LIFT program also encourages innovative, replicable, construction cost containment, and high-quality homes that can be built within 36 months;
- Serving families by prioritizing family-sized units (two bedrooms and larger); and
- Encouraging innovative models of affordable housing that can be widely replicated.

Additional goals for the 2024 NOFA include:

- Support developments that reflect the needs of the communities they seek to serve through community-informed design.
- Support energy-efficient and climate-resilient homes.

- Support homeownership development pipeline growth by keeping the NOFA process accessible to small, rural, culturally specific, and emerging developers.

To achieve these goals, the Homeownership Division is prioritizing stakeholder engagement prior to and throughout NOFA development, implementing a rolling NOFA with clear funding and evaluation criteria, creating a set-aside category for Small, Emerging, and Rural applicants, and establishing targeted LIFT Supplemental Grant eligibility criteria.

Stakeholder Engagement

OHCS is committed to meeting the needs of non-profit developers and the communities they serve through the LIFT program. The Homeownership Division has sought to create open dialogue and collect stakeholder feedback in the following ways:

- Post-NOFA debrief with applicants. OHCS hosted a debrief with partners after all 2023 applications were submitted to gather feedback and suggestions for improving future NOFAs. Staff also conducted individual calls with developers who were not funded or those interested in sharing more detailed information about their experience.
- Quarterly partner calls and NOFA engagement sessions. The Homeownership Development Team hosts quarterly partner calls and additional NOFA-focused engagement sessions to provide updates and gather feedback from partners. Since July 2023 we've held three calls (July, September, October) on the following topics: the proposed new NOFA structure and applicant expectations, LIFT Supplemental eligibility criteria, and NOFA evaluation criteria. Attendance has ranged from 19 to 73 participants per meeting.
- Partner survey. OHCS received 21 qualitative responses to a partner survey helping to inform LIFT policies related to development experience, capacity, financial risk, and timing of demand. Through this survey, we learned critical information about which changes that could impose barriers for developers and changes that could promote successful projects and limit risk to the agency.
- Individual calls with rural, culturally specific, and new developers. To proactively pursue our goal of accessibility, OHCS staff have sought to meet individually or in groups with rural, culturally specific, and new developers. Staff also connected with Pre-development and capacity grantees, who are primarily smaller organizations seeking to scale, to understand how to support them in the next NOFA. Some developers expressed interest in applying, while many CSOs that haven't used the LIFT program cited barriers in the fundamental characteristics of the LIFT program that will prevent them from applying.²

² Some CSOs have reported that their community is not interested in the shared equity model of homeownership. Additionally, LIFT Homeownership typically does not work for projects on Tribal land since the state must maintain an interest in the land throughout the term of the loan.

- Ongoing NOFA support. The shift to a rolling NOFA allows OHCS to provide more hands-on support to applicants. Monthly office hours, prompt responses to questions, weekly FAQs updates, and feedback for rejected applicants will lead to a more accessible NOFA process and stronger applications.

Shift to a Rolling NOFA with Well-Defined Evaluation Categories

OHCS is shifting to a rolling NOFA that will be open for applications from January to September 2024 with a minimum of three evaluation cycles. This change is based on partner feedback. Partners explained that a rolling NOFA would give them more time to prepare quality applications for shovel-ready projects throughout the year, and better align their application with the build schedule of the project, rather than being compressed to a two-month application period. This will hopefully result in quicker closings, smoother program operation, and more timely outcomes. It will also enable OHCS to provide feedback to projects that receive an initial application rejection so that they can resubmit within the NOFA period.

Applications will be reviewed on a first-come, first-served basis and must meet preliminary requirements to move on to scoring and then minimum scoring criteria to be recommended for funding. Each scoring category will have its own minimum threshold. The set-aside for small, emerging, and rural applicant (described below) is meant to ensure that the first come first serve approach is rolled out equitably. Many of the categories and criteria from past NOFAs have been updated to better assess project strengths and risks. New to this year's NOFA is a deeper assessment of developer capacity in comparison to the status of other projects in their pipeline, a more robust look at community engagement throughout every step of the development and post-purchase process, an analysis of the financial stability of the entire organization, and a review of stewardship experience and infrastructure. The scoring categories include:

- Development Capacity: The applicant has the staffing and resources in place to complete the project.
- Development Experience: The applicant and its staff have a track record of completing comparative projects. If not, they plan to partner with experienced entities (consultants, other nonprofits) to bring in needed experience.
- Equity & Community Engagement: The applicant demonstrates an active commitment to diversity equity and inclusion. The applicant is and plans to engage and support community members and potential homebuyers throughout every stage of the process.
- Financial Viability: The project budget is detailed and realistic. The applicant has secured sufficient funding to cover costs (and unexpected costs).
- Project Details: The project is situated and designed to serve the community in essential ways (ex: accessibility, fire resistant materials, energy efficient building, central to key amenities, etc.).
- Stewardship Experience: The applicant has the necessary infrastructure and formulas and/or partnerships in place to administer the shared equity model.

A high-level rubric showing the different criteria that applicants will be evaluated on is included at the end of this memo.

Set Aside for Small, Emerging, and Rural Applicants

To ensure that the NOFA is accessible to small³, emerging⁴, and rural applicants, there will be a 50% set-aside of funds for these applicants held until June 2024. If the funds go unused after six months, they will be transferred back to the broader pool. Additionally, small, emerging, and rural applicants will be held to a slightly lower minimum threshold score per category.

Targeted LIFT Supplemental Eligibility

OHCS has \$5M in general funds to provide deeper subsidies to LIFT projects. These funds will be incorporated into HDIP as LIFT Supplemental Grants with a priority for projects serving communities that have been historically excluded from homeownership and projects in rural areas where land generally appraises lower than in urban areas, meaning LIFT can cover a substantially lower amount of project costs. The goals of the LIFT Supplemental Funds are to:

1. Support development projects led by and for communities of color
2. Incentivize rural development
3. Equitably distribute the funds

To qualify for the LIFT Supplemental Funds, applicants must complete the LIFT application and meet minimum thresholds. Additionally, they must identify as at least one of the following:

- Culturally Specific Organization (CSO)⁵
- Small Organization
- Emerging Developer
- Rural Developer (or project in a rural area)

The funds will be available on a first-come, first served basis. To ensure distributional equity, OHCS is imposing per-entity and per-home caps on the funds.

- CSO & rural applicants can receive up to \$100,000 in LIFT Supplemental Funds per home, with a total per entity cap of up to \$800,000 (16% of all funds).

³ Small organization is defined as an organization with fewer than 5 total paid staff dedicated to development, management and compliance, and builds no more than six homes a year on average.

⁴ Emerging developer is defined as a developer that has built no more than five homes for purchase, and that has applied for a project that includes no more than 15 homes.

⁵ Oregon statute defines “Culturally Specific Organization” as organization, or a program within an organization, that serves a particular cultural community, that is primarily staffed and led by members of that community and that demonstrates self-advocacy, positive cultural identity and intimate knowledge of the lived experience of the community, including but not limited to:

(A) The impact of structural and individual racism or discrimination on the community;
(B) Specific disparities in access to services and resources experienced by the community; and
(C) Community strengths, cultural practices, beliefs and traditions



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- All other applicants can receive up to \$50,000 in LIFT Supplemental Funds per home, with a total per entity cap of up to \$600,000 (12% of all funds).

Next Steps & Timeline

- November 2023
 - Ongoing collaboration with DOJ to identify project risk factors that have implications for NOFA requirements and underwriting processes.
 - Submit NOFA to DOJ for legal sufficiency.
- December 2023
 - Return to Council for framework approval (if needed).
 - Receive legal sufficiency and finalize NOFA.
- January 2024
 - Publish NOFA.
 - Host initial information session.
- Ongoing
 - Receive and evaluate applications.
 - Host monthly NOFA office hours and provide responsive support to applicants.
 - Recommend projects to Council (at minimum in May, August, and November 2024).
- September 2024
 - NOFA Closes to applicants

Questions for Housing Stability Council

- The criteria listed in this memo are high-level, however, is there anything missing or do you have suggestions for different indicators that we should use?
- What else would Council want to see in our framework or evaluation processes to feel confident about our application reviews prior to bringing them forth as recommendations?
- Do the targeted LIFT Supplemental criteria strike a balance of funding a diversity of projects and providing a meaningfully deeper amount of subsidy in specific projects/developers?
- Is there anything else Council wants to know or recommend about LIFT or HDIP fund use, goals, or outcomes?
- Does Council want/need us to come back for approval of these frameworks next month?

Evaluation Criteria for LIFT Homeownership Applicants

This document is meant to provide a high-level overview of the criteria that will be used to evaluate LIFT Homeownership applicants. A final version of detailed criteria and scoring methodology will be published in the 2024 NOFA.

Criteria	Description
<i>Capacity</i>	
Organizational capacity	Number of projects in the applicant's pipeline by phase and ability to adequately staff those projects
Financial stability and capacity	Applicant's financial statements and key indicators (history of findings and financial ratios); evidence of guarantor (if applicable)
<i>Development Experience</i>	
Organization experience	Applicant's history of completing projects of similar size, scope, and schedule
Key staff experience	Bios and history of experience of staff, consultants, and partners fulfilling key roles, as well as consideration of recent turnover and growth
Partnerships	Description of formalized partnerships that will fill experience gaps or otherwise benefit and ensure completion of the project
<i>Equity & Community Engagement</i>	
Organizational diversity, equity, and inclusion (DEI)	Demographic make-up of board and staff compared to community; example of one or more DEI policy implemented by the organization and evaluation of policy effectiveness
Community centered design	Engagement of community in the design of the homes; description of how feedback was used; community members were compensated for their time
Reaching underrepresented homeowners	Identification of the community that the applicant is seeking to serve; applicant's track record of serving this community; description of specific partnerships in place for outreach and marketing of the homes; accessible buyer application and selection process
Buyer education and support	Clear process for informing buyer about the characteristics of a shared equity home; provision of pre- and post-purchase support
MWESB commitment	Track record of meeting MWESB/SDVBE goals (if applicable); demographics of general contractor; plans to conduct culturally specific outreach to subcontractors



Financial Viability	
Project financing	Project funds are committed; project is leveraging different funding sources
Cost-effective building	Applicant is taking measures to ensure cost-effectiveness of project; construction cost is comparable to similar homes in the region
Balanced and realistic pro forma	Pro forma is detailed, realistic, and matches construction cost estimates; uses match sources
Market volatility planning	Applicant is planning for economic volatility; pro forma includes contingency and escalation
Project Details	
Innovation, efficiency, replicability	Utilizing building or financing practices that are innovative, efficient, and/or can be replicated at a larger scale
Energy efficiency and climate resilience	Building to standards greater than code; incorporation of climate resilient design
Accessibility	Homes are accessible and incorporate principles of universal design
Other project characteristics	Proximity to amenities; efforts needed to mitigate and improve environmental factors; etc.
Stewardship Experience	
Affordable home price calculation	Clear explanation and logical methodology for calculating the expected home sales price
Resale formula	Resale formula is solidified and aligns with organization's goals
Mortgage product availability	Applicant has identified safe, affordable homebuyer mortgage products that will be available for homebuyers.
Ground lease experience	Dedicated staff with experience or an experienced partner will manage the ground lease; template ground lease is provided
Centralized administrative data	Sufficient homeowner and transaction tracking is in place