

Qualified Allocation Plan (QAP) update to align with Oregon Centralized Application (ORCA)

9% LIHTC Criteria and Process

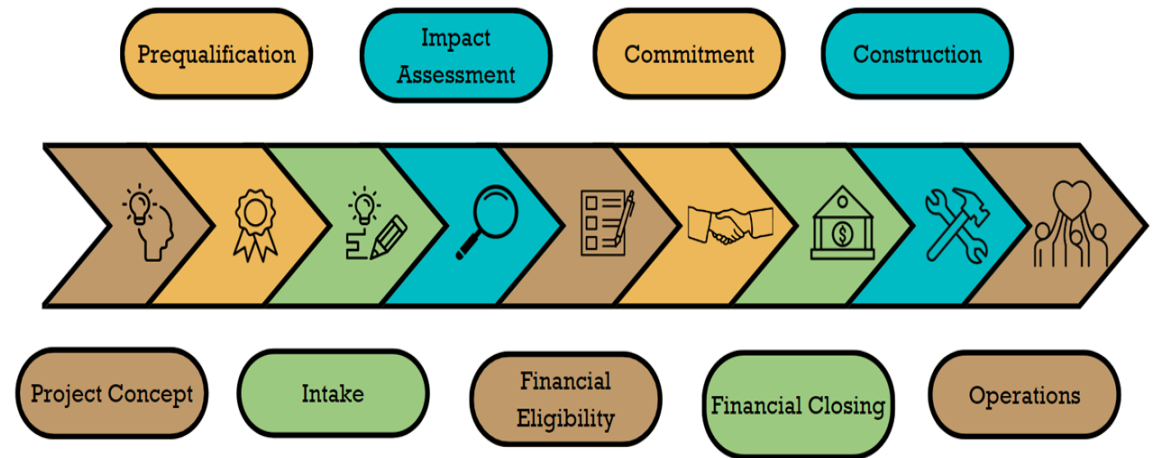
October 8, 2024

3:30-5:00

Agenda

Meeting Objective: *Collect input to inform QAP update including feedback about the proposed 9% LIHTC criteria and proposed application process through ORCA.*

- Overview of LIHTC Program
- Proposed QAP Updates
- Proposed 9% LIHTC Criteria/
Application Process
- Small Group Discussions
- Next Steps



Process Agreements

- Help foster an inclusive environment
- Stay engaged
- Speak your truth responsibly
- Listen to understand
- Be willing to do things differently and experience discomfort
- Expect and accept non-closure

Low Income Housing Tax Credit - Primer

- Indirect federal subsidy used to finance the construction / rehabilitation of affordable rental housing for low-income households.
- Credit claimed over 10 years by an equity investor who receives a dollar-for-dollar reduction in their federal tax liability in exchange for the equity investor contributing equity into an affordable rental housing project.
- Two different types of LIHTC Programs:
 - 9% LIHTC: traditionally covers ~70% of total project costs
 - 4% LIHTC: traditionally covers ~30% of total project costs and requires Private Activity Bonds (PAB) for at least 50 percent to generate the credit
- Qualified Allocation Plan (QAP) required by the IRS to authorize distribution of tax credits by state Housing Finance Agencies (HFAs).

LIHTC Processes

- Both LIHTC programs are over-subscribed:
 - 9% LIHTC requires a selection process
 - Traditionally through a stand-alone NOFA with complex scoring structures
 - 4% LIHTC requires an allocation process
 - Traditionally non-competitive, but with recent over-subscription of needed PABs to generate the credits, we stood up an interim prioritization process that includes priority for Housing Authority projects as well as those with significant local funding
- ORCA opportunity:
 - Incorporate both funding sources into the standards-based review and requirements. Added focus on pipeline management and readiness for funding commitments.

Proposed QAP Updates

- Alignment wherever possible for consistency and predictability
 - Use ORCA geographic set asides for both 4% & 9% LIHTC
 - Keep other 9% set asides the same
 - Use ORCA Underwriting standards
 - Preservation priorities are established in the Preservation Framework and the ORCA
- Subsidy limits
- Process for 9% competition
- Update to 4% Housing Authority allocation process

9% LIHTC – Resource Set-Asides

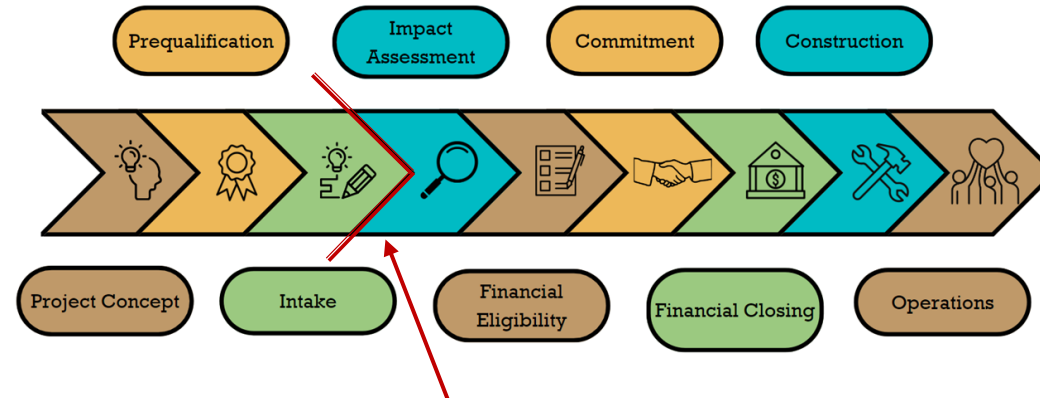
	Previously	Proposed
Preservation (federal)	25%	25%
Native Nation	10%	10%
Geographic:	<ul style="list-style-type: none"> -Metro (~47%) -NMPJ (~16%) -Balance Urban (~15%) -Balance Rural (~22%) 	<ul style="list-style-type: none"> - Western Region (45%) - Metro Region (40%) - Eastern Region (15%)

OHCS forward allocates 9% LIHTC and receives ~\$12 million in annual credits

9% LIHTC – Project Selection

	Previously	Proposed
Project Selection	NOFA with robust scoring and evaluation within region; narrative and data-based factors	ORCA alignment: all projects must meet up-front standards and then tie-breakers will be implemented to select top projects if there are more eligible projects to use resources than we have available.

Proposed 9% LIHTC process



- Projects will complete a **9% LIHTC Request Form** after Intake is complete
- Selection of projects before the full ORCA application submission
- Projects will be evaluated using mandatory criteria and supplemental criteria reflecting OHCS priorities
- If there are more projects than resources available, then tie breakers will be used
- Selected projects will move to Impact Assessment and complete the ORCA process

Proposed 9% criteria in addition to ORCA

Mandatory Criteria (must meet all):

- Responsive to Tenant/Community Needs
- Economic/Workforce Impact

Supplemental Criteria (must meet 3):

- Responsive to Tenant/Community Needs
- Section 42 Considerations
- Organization Type

Tie Breakers: Projects that meet threshold for evaluation from the above criteria will be further prioritized using the following criteria, in the order listed

1. Efficient Unit Production
2. Community Need
3. Average AMI
4. Distribution of Resource

What we've heard so far

- How are culturally specific organizations prioritized?
- Concern about the use of the economic impact / workforce criteria
- Concern about the calculation of efficient unit production as a measure of tax credit use
- What is the consideration for the impacts of Davis Bacon and Prevailing Wage?
- How to retain flexibility to be able to be responsive?
- How will OHCS track outcomes?

CSO Prioritization in ORCA with 9% LIHTC

- 25% set-aside in the ORCA for gap resources, which could be leveraged with 9% LIHTC funds
- Organizations that are culturally specific qualify for supplemental criteria so need to meet fewer other criteria that generally add more required features to the project
- Required to meet ORCA ERJ Strategy evaluation standard, which has easier pathway for CSOs

Economic / Workforce criteria

- Project includes features in the design, services, site location or other project considerations that provide opportunities for employment to residents and benefit to the community (e.g. co-located ECE facility for families with young children, access to community college or workforce training site, walkable access or access to transit to high job density locations).

Efficient Unit Production tie breaker

- Efficient Unit Production: Applicants will be ranked based on the total number of credits requested per units they will be providing for their communities.

Discussion Questions

1. Are there other recommendations or approaches for prioritizing Culturally Specific Organizations?
2. What feedback do you have about Mandatory and Supplemental Criteria?
3. We acknowledge that every tiebreaker is likely to have unintended consequences. What are your thoughts on what should be prioritized?
4. Is the proposed application process clear? Are there ideas for how to improve the application process?

ORCA and QAP Update Anticipated Timeline

- October 8, 2024 – 9% LIHTC discussion on incorporating 9% LIHTC into ORCA process and related QAP updates
- October 9, 2024 – 4% LIHTC discussion on incorporating 4% LIHTC into ORCA process and related QAP updates
- November – December 2024:
 - Finalize framework for bringing the LIHTC resources into the ORCA with Housing Stability Council;
 - Conduct formal public comment period process to finalize QAP for consideration of the Governor for approval/signature
- January – February 2025: QAP Implementation into updated ORCA

Thank You

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Partner Feedback



Summary



Cards

- 1. Are there other recommendations or approaches for prioritizing Culturally Specific Organizations?

Yes, prioritize community need over unit efficiency. The community our organization serves has need for larger units and family sized units. The building will eventually house the same number of people, at the same time being responsive to community need.

👍 3 💬 0

It feels like it would best serve clarity and transparency to use the same set-asides for 9% that are being used for every other funding source. I worry that leaning on ORCA criteria will disadvantage CSOs. - Traci

👍 2 💬 0

for CSOs to meaningfully participate in deals, they need to be able to have balance sheets that enable them to serve as guarantors (even if small) - and understand the risks they are taking. Investors and lenders are requiring them to "be in the deal" to be in the deal. What kind of capital support and TA can be provided to CSOs to meaningfully participate?

👍 0 💬 1

Investors will let the developer pay the CSO \$100,000 to be in the deal with a \$100,000 guarantee.

Will 9% use the same ORCA definition for a CSO project?

👍 0 💬 0

Proposal: Align 9% set asides with ORCA set asides. OHCS received substantial community input before adopting the ORCA set asides, and it makes sense to remain consistent with that effort. While it is possible that CSOs will benefit from the gap funding set aside and Supplemental Criteria call out, it is not clear. The ORCA has gone a long way toward creating a clear and transparent funding system. Having one funding source with a different set aside creates unnecessary confusion and distortion of this goal.

👍 0 💬 0

- 2. What feedback do you have about Mandatory and Supplemental Criteria?

Historic value criteria conflicts with other QAP goals such as efficient uses of resources. (historic projects are likely to be more expensive) and readiness to proceed (historic review will almost always slow a project down).

👍 1 💬 0

Is OHCS willing to consider Universal Design in lieu of ADA? Thinking about the cost and space impacts of turning radius especially for bathrooms (increased in recent code updates, I believe) when there might be more meaningful elements for a larger portion of the population, like walk-in showers or closets, microwaves at counter height, additional cabinets at more convenient reach heights, etc.

👍 2 💬 0

It seems that Preservation projects, specifically those that serve elderly or disabled populations would be penalized for not altering the design to include workforce impact considerations or employment opportunities.

👍 1 💬 0

How is OHCS defining the preservation set asides for 9% vs the 9% NOFA? 9% NOFA involved a more restrictive PBRA contract. Is the updated definition more liberal?

👍 0 💬 0

How can the mandatory criteria be more objective, so that it isn't about a well written paragraph but about a demonstrable feature? How can it be structured such that two different reviewers would always reach the same conclusion?

👍 5 💬 1

This (different reviewers reaching different conclusions with the same info) has definitely been a challenge in prior NOFAs.

The Economic / Workforce Impact is going to be to be interesting to meet in smaller communities.

👍 3 💬 0

I think if you can find a way to make the mandatory criteria objective, that would work.

👍 1 💬 0

Supplemental criteria and/or tiebreakers should consider commitment of local funds as part of project evaluation and award process

👍 1 💬 0

Have BOLI projects count positively towards economic/workforce criteria - higher wages, especially for rural and MWESB subs, is investing directly in local small businesses

👍 3 💬 0

More specific information on OHNA alignment is needed

👍 1 💬 0

Can OHCS provide samples of successful 9% tenant ownership projects?

👍 1 💬 0

How do the resident employment opportunities apply to populations (projects) not targeting the workforce?

👍 0 💬 0

Supplemental criteria 'responsive to community needs': prioritizing <50% AMI units or units that have Project Based Rent Assistance without also offering that PBRA through the program is a challenge. PBRA is incredibly difficult to come by in some communities.

👍 1 💬 0

What document format is appropriate to meet the Housing Authority Marketing commitment criteria? I'm sure it's a burden on HA's every year when each applicant asks for this letter.

👍 1 💬 0

Please consider- Supplemental Criteria of co-located ECE - cost implications of BOLI (no Affordable Housing exemption when there's commercial in the development) means higher total development costs and conflicts with the tie breaker of 'efficient unit production' or credits/unit.

👍 3 💬 0

For Section 42 criteria, would be good to consider cost impacts these have and to ensure projects working to meet/exceed these criteria aren't disadvantaged when they get to the efficiency tiebreaker.

👍 1 💬 0

For Section 42 criteria, would be great if resiliency measures (such as flood, wildfire, extreme heat/cold) would also be considered here

👍 0 💬 0

Supplemental Criteria: Responsive to Tenant/Comm. Needs: What number/percentage of PBRA units count towards meeting the criteria?

👍 0 💬 0

For "organization type", please define rural nonprofit more clearly: is this a nonprofit developing in a rural area? Or a nonprofit headquartered (or otherwise with some notable physical presence that should be clarified) in the area

👍 0 💬 0

The proposed QAP that would imply that 50-60% families that wouldn't compete well for 9%. Assuming you can meet the Mandatory and Supplemental requirements, average AMI isn't a criterion until the third-tier tiebreaker.

👍 0 💬 0

Supp. Criteria - Comm. Needs A.: The projects I tested were at all 60% AMI with the PSH subsidy. Do we have to show the PSH units at long term restriction at 30% AMI? and if so, how is that managed if the subsidy or assistance \$\$ goes away. That subsidy is what allows projects to work with the 30% restriction.

👍 0 💬 0

3. We acknowledge that every Tiebreaker is likely to have unintended consequences. What are your thoughts on what should be prioritized?

Bedroom count > unit count. Otherwise we will have only 1-BR projects, which we know does not meet the need of larger families (a stated priority in ec/workforce criteria)

👍 8 💬 0

There are projects already in process of being noted as critical-need that may not necessarily coincide with the tie breakers. Also, some of the tie breakers don't really work for elderly/disabled residents or even for small, rural properties.

👍 1 💬 0

Communities of color will be unintendedly excluded, due to the way the tie breaker is structured. Unit or bedroom efficiency should be last.

👍 0 💬 0

Prioritize population such as PSH and/or 30% AMI units

👍 2 💬 0

Will OHCS publish jurisdictional statistics on areas that have gone the longest without a 9% LIHTC investment in advance of the application being released?

👍 2 💬 0

Efficiency of tax credits will inevitably push projects to maximize other OHCS sources, which reduces those resources' ability to fund more efficient non-LIHTC projects

👍 0 💬 0

Projects that aim to achieve net zero/path to net zero / passive house standards do cost more, yet are key to meeting climate and decarbonization goals. This projects should benefit in tie breaking.

👍 0 💬 0

Instead of chasing units and bedroom sizes to get the maximum subsidy or unit efficiency, for new construction projects, maybe OHCS should require market studies so that we are actually building the type of projects and units needed in a particular community.

👍 1 💬 0

9% is the opportunity to meet other high priorities - PSH, family size units, ECE, rural, CSO. I think using those priorities as a tie breaker would be more successful. The 4% is a much better tool to emphasize production.

👍 1 💬 0

Projects with co-located childcare facilities are subject to BOLI wages, increasing the per unit costs.

👍 2 💬 0

Important to clarify #4 and how jurisdiction is defined. OHCS setaside regions? Participating jurisdictions? County? Something else?

👍 1 💬 0

There seems to be a particularly large delta between subsidy caps (non LIHTC) for ack/rehab versus new construction. Concerned this will disadvantage preservation/rehab projects and/or have the unintended consequence of projects that are overly value-engineered (because they need something NOW) to meet funding criteria versus fully meeting longer-term capital needs

👍 1 💬 0

9% Project Criteria: Tiebreakers - Community Need - Can OHCS clarify if greatest need is a percentage? otherwise all 9% goes to Portland presumably

👍 0 💬 0

4. Distribution of Resource: "the jurisdictions that have gone the longest without an award ranked highest"

How is OHCS defining "jurisdiction"? City? County? PJs and/or Housing Authority jurisdiction? Regions per ORCA?

👍 0 💬 0

4. Is the proposed application process clear? Are there ideas for how to improve the application process?

Is the only information OHCS asking for to evaluate projects the Intake form? and these new criteria? If so, it feels highly subjective as to which projects will move ahead.

👍 3 💬 0

Not when it comes to site control. Do you need site control before you can indicate you want 9%?

👍 1 💬 0

Is there a maximum per project LIHTC request amount?

👍 4 💬 0

It does not feel clear in relation to projects that are already in the ORCA Impact Assessment or on a waitlist. Would they re-apply and lose their pipeline place?

👍 2 💬 0

If there is a requirement for a quick closing, will OHCS also provide predevelopment support and any criteria (prioritization) to get the predev?

👍 0 💬 0

Is 12 months to closing adequate/realistic in larger/slower permit processing jurisdictions? It might be realistic in non-Portland jurisdictions, but I worry that Portland's slow permitting process might make this unrealistic.

 0  1

This may unintentionally lead to additional out-of-pocket design costs during the Impact Assessment phase.

OTHER/QUESTIONS

There are projects that have a supportive housing component. Will PSH have a priority in the criteria?

 2  0

hearing anecdotally at the Housing Oregon Conference about the number of organizations with ORCA applications in LIHTC hold, I wonder if there is any chance remaining for those with applications not yet at that ORCA step

 1  0

How will projects that already submitted Intake form, and indicated the need for LIHTC, be evaluated in this process?

 1  0

Will there be a focus on the lower (under 30% AMI) units? and will OHCS be providing other support with the 9%, such as rental support?

 3  0

Want to confirm that scattered sites will eligible for LIHTC requests.

 0  0

How do other layered fund opportunities play into this whole process (i.e. if we are a chosen OR-MEP project, or are awarded other energy-efficiency funds)?

 0  0

Clearly define what demonstrates alignment with OHNA.

 1  1

Second this. There's need across the state, so simply "meeting" it seems like a low barrier

How is the long-term sustainability of the project taken in to account? Will projects that pencil in the short term, and meet the tie breaker criteria out compete projects that are set up for long term stability and financial performance?

 3  0

As a Participating Jurisdiction (city) we have concern that there's no prioritization for developments with local funding (like HOME) and no criteria for local contributions at all.

 4  0

Will there be any considerations for distribution of units within a region i.e. coastal v valley in the western region so there is an equal distribution. Not all coast or all valley. Does criteria 4. in tiebreaker need to be moved up higher?

 0  0

Is readiness to proceed going to be a priority ?

 0  0

How will a western region project now on ORCA waitlist (no LIHTC) jump to 9% or 4% process

 3  0

Too big of a delta between the rehab and new construction subsidy limits

 1  0

If the regional set-aside of the total 9% allocation means a region's portion is less than the \$1.5MM minimum, how will other regions absorb the difference? Proportionally? Equally across remaining regions? something else?

 0  0

Subsidy limits work well for projects that are over 100 units, but don't work for projects under 40 units

 0  0

Subsidy limits based on AMIs doesn't work for rehab-costs the same no matter what income level lives in the units

 1  0

subsidy limits, especially acq/rehab, shouldn't be based on income level being served, especially projects with PBRA, which normally serve very low income. The cost to rehab is the same no matter what income level you are serving. The goal should be to rehab these projects, to preserve them, and make sure they are sustainable for at least 20 years, or you will need to rehab these projects again in 10 or 15 years, which is the scenario we are in with some LIHTC projects now.

 1  0

9% Set Asides - clarify - When/How are reallocations made if regional set asides are underspent?

 0  0

Is OHCS receptive to increasing the 10% minimum nonprofit set aside as the ORCA process potentially favors for-profit organizations that have the means to exhibit more favorable timelines?

 1  0

I think some of the criteria may violate Fair Housing statutes.

 1  0

Insurance rates are skyrocketing, and prioritizing inexperienced developers and property managers to be involved in the deal is only going to make projects less insurable for everyone else.

 0  0

Will a project that is through impact assessment and on the waitlist for the gap only LIFT in the Western region lose its place on the waitlist if it applies for 9% LIHTC?

 0  0

Non-profit set aside increase - The minimum set aside should be changed to 75%, and include housing authorities, until such time as the 30-year restriction period is substantially increased.

 0  0