Monday, August 25, 2019

Tai Dunson-Strane, Tax Credit Programs Manager
Natasha Detweiler, Multifamily Programs Interim Manager
Oregon Housing and Community Services
725 Summer St. NE, Suite B
Salem, OR  97301

Dear Tai and Natasha:

Thank you for the opportunity to share comments on the draft Qualified Allocation Plan. Of those listed below, seven Housing Oregon members participated in a meeting on Wednesday, August 21, and five shared comments via email. Special thanks to the team at Housing Development Center for hosting the meeting and Lydia Slocum, who summarized meeting notes.

- David Brandt, Housing Works
- Rachel Duke, Community Partners for Affordable Housing
- Mercedes Elizalde, Central City Concern
- Destin Ferdun, Northwest Housing Alternatives
- Julie Garver, Innovative Housing, Inc.
- Joni Hartmann, Lydia Slocum, Gigi Szabo, Housing Dev. Center
- Kristen Karle, St. Vincent de Paul Society of Land County, Inc.
- Tyler Mac Innis, Welcome Home Coalition
- Joel Madsen, Columbia Cascade Housing Corporation
- Rose Ojeda, Hacienda CDC

I’ve also attached letters shared by several members and submitted directly to OHCS for which there was insufficient time to synthesize including Chrismann Development, Housing Works, Bienestar and Farmworker Housing Development Center.

Questions? Contact me at 503-475-6056 or brian@housingoregon.org.

Sincerely,

Brian Hoop
Director, Housing Oregon

P.O. Box 8427, Portland, OR 97207
Comments identified at meeting held Wednesday, August 21, 2019

Below are comments raised at the Wednesday, August 21, 2019 meeting hosted by Housing Development Center. Comments are organized under general feedback on the Summary of Changes, aligned with QAP and Statewide Housing Plan goals, followed by comments related to Scoring Criteria.

General Feedback on the Summary of Changes:

- Alignment with SHP
  - Rural: Support for making rural/urban divide within BOS – projects compete within four regions. However, changing the regions does not address the underlying reasons small communities do not get projects funded.
  - Preservation / Tribal set aside
    - Support for 25% for Preservation, but only if there is another source for preservation projects (little p). (i.e, OHCS’s ‘preservation strategy’)
    - Support set aside for tribes
  - Equity
    - What is the 'objective measurement' for AFHMP?
      - Would be great to have OHCS do ongoing check-in and tracking (ex: after 5 years, how did marketing go / leasing, etc). However, if OHCS wants to do ongoing monitoring this needs to be clear in the QAP and the reason why.
  - PSH:
    - Appreciate the focus on PSH; however, the scoring and narrative around PSH leaves us unclear on OHCS’s commitment to braid funding; long-term funding
    - We are concerned that the QAP addresses non-tax credit programs/funding.
      - Recommendation: either make PSH a fully separate application and funding track (Institute / capital) or make PSH a set-aside within QAP. I.e, have a set aside for project teams who are in the PSH Institute, and non-PSH projects would compete for Family/special needs points.
    - Requirement for coordinated entry can be counter to AFHMP - doesn’t get to desired outcome and some communities do not have coordinated entry.
      - Recommendation: don’t tie points to coordinated entry; make point available for ‘other targeted entry system'.
• Service funding needs to be available with capital dollars
• Unintended consequences of incentivizing PSH:
  • Owners not prepared to house PSH populations
  • Urban projects that can leverage third-party service funding will score higher
• The PSH Institute should be de-coupled from QAP because it’s a totally separate track of funding.
  • Why are PSH Capital dollars, service, and rental assistance funding only tied to Institute projects? This will exclude many projects who don’t need to / able to go through Institute.
  • Confirm if the point for TA is something sponsors have already done or will do in the future
• National Best Practices
  o **Income Averaging:** please allow mixed-income projects
  o **Cost Containment:**
    ▪ **Recommendation:** compare costs within building typologies, not regions.
    ▪ We are cautious about and not supportive of the move away from a narrative explanation of why costs are what they are.
    ▪ Recommended areas of focus for cost savings:
      • Review the PDM requirements – many of these add significant costs to projects
      • Prevailing wage
      • Quality of construction
    ▪ Pre-application:
      • We are unclear about the intention. Sponsors can do all of the self-scoring with the scoring breakout, which is now very clear, except for knowing how other projects scores. To have real costs at pre-app, sponsors need a cost estimate, which is an added cost to the project early on.
      ▪ **Recommendation:** The pre-app would be beneficial for a larger conversation about which funds to pair with which projects; a more global vision of project types and funding available. In this way, the pre-app is for problem solving.
      ▪ **Recommendation:** transparency about cost and unit goals. Scoring projects based on costs implies that OHCS has a target goal for the cost invested per unit. If so, please make those goals known so everyone understands.
• **Readiness to Proceed**
  - If a CNA will be continued to be required for acq/rehab, need to be clear for what the report is used. **Make sure the CNA and appraisal requirements are totally separate from the QAP.**

**Scoring (non-Preservation)**

• **State Priority**
  - Line 1 - Make point available for 'other targeted entry system'
  - Line 4 - Request to remove this point as there are many unintended impacts:
    - This is at odds with the point in Line 1. If OHCS is not providing the service funding, developers form partnership with service providers/referral agencies that often have their own requirements for entry/population (not coordinated entry). Thus, incentivizing committed service funding is in conflict with coordinated entry.
    - In making a point for committed service funding, OHCS is not making a full commitment to developing PSH – this puts the onus on the owner. If PSH is the state's priority, then OHCS should be helping to bring resources to the table.
    - No requirement for long-term funding?
  - Lines 8 and 10: Why is PSH excluded from the points under largest percentage of family size units?

• **Need & Opportunity**
  - Remove lines 17 - 20
  - Line 15: Severe rent burden is good assessment
  - Line 17 (if it remains): **Recommendation**: make scoring based on the vacancy of affordable housing, not market.
  - Transparency about location preferences would look like making clear geographic priorities. If OHCS wants housing in a specific community, please put that directly in the NOFA. (Recent PHB solicitation is an example)
    - A negative consequence of doing this could be that only for-profit / rich developers with the means to buy land would be awarded the project.
  - Line 29
    - **Recommendation**: this criterion should not apply to acq/rehab projects, since there is no ability to change the location.
    - If this is the HOME environmental review checklist, then why are not all of the HOME requirements included? (i.e freeway)
    - Can there be an option to show mitigation plan for any of these factors?
• Partnerships
  ○ Line 45: As written, incentivizing ‘financial empowerment’ reads like the issue at hand is that residents do not manage their money well. Instead, the issue is most often that residents have no savings to work with.
    • **Recommendation:** make the point available for supported employment or eviction prevention instead of or in addition to financial empowerment.
  ○ Line 46: Adjust operating expense assumptions to acknowledge all resident services as an above the line operating cost.
  ○ Line 47: If a point is awarded for data tracking, how does OHCS follow up on that?

• Federal Preference
  ○ Lines 52-53: This seems to incentivize mixed-income or higher rents. Is that the intention?
  ○ Line 57: How many projects have actually earned a point in ‘tenant ownership’? This is not typical for LIHTC projects; so, is this relevant?
  ○ Line 58: The PDM requirements are already significant. Adding additional measures beyond what is already required in the PDM creates less cost-efficient projects, which seems to contradict the goal of cost efficiency. Therefore, if you get a point here, you probably lose it in the cost efficiency category.

• Funding Efficiency:
  ○ Line 61: **Recommendation:** clarify if TOD grants or other local grants also get points.
  ○ Lines 63 – 65:
    • We believe it is inaccurate to compare all projects together because different project types may have higher costs.
      • **Recommendation:** compare "like projects" together (ex: 3 story "woody walk ups" vs. a 5-story high density building with elevators)
    • Projects with deeper affordability or higher levels of service (like PSH) will have higher costs because of the need for more services space, security, elevators if special needs/disabled/elderly, etc. Thus, projects that are advancing PSH goals will be penalized here.
    • Would commercial space be included in cost effectiveness calculation? If so, this will negatively impact mixed use projects and PSH projects with clinic/services space.
    • **In general, we ask OHCS to consider the unintended consequences here:** The projects that will score well under cost efficiency will likely be low-density "woody walk-ups" serving the highest incomes. As an industry, do we want
the cheapest, low-density housing to be what gets built? Is the goal to provide more housing for the very lowest income levels/those most in need or to build the cheapest projects?

- **Project Readiness**
  - Lines 69-70: Financial Viability
    - 7% vacancy rate is outdated. **Recommend** change to 5%.
    - Not allowing capital campaign funding as a viable source disadvantages mixed-use projects.
  - Line 75: **Recommendation**: remove this point - every sponsor can argue that the project needs to be funded sooner versus later.

- **Development Team Capacity**
  - Lines 77 - 78:
    - Does consultant / other team member experience count towards General Partner Experience? If not, smaller organizations (especially rural and culturally specific organizations) that do not have the resources to do development in-house will be at a disadvantage. This is at odds with OHCS’s priorities of rural and equity.
    - The three-year period for demonstrated experience is too short. Very few organizations have the resources to complete two projects every three years. Those that do are larger and richer.
      - **Recommendation**: change to:
        - 1 project completed in the past 5 years
        - 3 projects completed in the past 7 years
  - Lines 80-81:
    - Consider that organizations without any projects at all would get full points. Is that the intention?
    - **Recommendation**: add a question about organization’s capacity for long-term asset management and compliance.

**Additional comments submitted via email**

Below are additional comments submitted by member organizations via email that were not wholly vetted at the Wednesday, August 21 meeting due to the short comment period.

- **Scoring criteria negatively impact smaller and rural nonprofits**
Multiple organizations commented proposed scoring criteria will negatively impact small non-profits and developers trying to develop in rural areas. The criteria:

- Introduces all kinds of new undefined terms
- Generally perpetuates scoring criteria from the previous QAP that had challenges
- Adds numerous new metro-oriented requirements
- Have performance/qualification requirements that will benefit larger agencies to the detriments of smaller non-profits.

**Determining ‘Rent Burden’ and use of ‘gross rent paid’ as data set**

- Census data used to determine ‘rent burden’ includes a specific data set for ‘gross rent paid’. Housing units that are renter occupied without payment of rent are shown separately as “No rent paid.” The unit may be owned by friends or relatives who live elsewhere and who allow occupancy without charge. Rent-free houses or apartments may be provided to compensate caretakers, ministers, tenant farmers, sharecroppers, or others. Gross rent is the contract rent plus the estimated average monthly cost of utilities (electricity, gas, and water and sewer) and fuels (oil, coal, kerosene, wood, etc.) if these are paid by the renter (or paid for the renter by someone else). Gross rent is intended to eliminate differentials that result from varying practices with respect to the inclusion of utilities and fuels as part of the rental payment.
- Agricultural areas as well as in rural communities with significant amount of 2nd homes or vacation rentals could be disproportionately and negatively impacted by the rent burden indicator due to this ‘no rent paid’ anomaly. What is the trend for rural communities and how many renter households are identified as ‘no rent paid’?

**Rural communities that have extreme land constraints**

- The QAP does not prioritize investment in rural communities that have extreme land constraints, limited multifamily zoned land and inability to expand the urban growth boundary (even with HB 4079 in play at the State). Those rural communities surrounded by federally protected lands or significant key natural features should receive priority with their investment proposal.

**Use of population growth rates and impact on rural community projects**

- By prioritizing population growth rates in the QAP it is leaving behind rural communities that have been or are being gentrified. Rural communities where low income households are not able to reside because of extreme housing costs are at a competitive disadvantage for investment when, in reality, they are an opportunity
area that should be receiving important affordable housing investments. These communities often include good schools, good jobs and good access to services.

- **Definition of ‘local leverage’ and acceptable resources**
  - The list of acceptable resources considered for ‘Local Leverage’ in balance of state should not be limited to the State’s HOME program funding. At a minimum the definition of local leverage should be broadened to include those investments that are truly local leverage (i.e. Construction Excise Tax, Urban Renewal, Regional Solutions, CCO flex spending, etc.).

- **High cost areas**
  - QAP should prioritize investment in rural communities with high housing costs. For example, prioritize investments in rural communities via the indicator of ‘work hours per week at mean renter wage’.

- **Use of low-barrier tenant screening requirements**
  - Consider including requirements around low-barrier tenant screening as part of the QAP’s equity goals. While not sure whether applicable to the QAP rules, it is something emerging in the Metro Housing Bond implementation plans that tenant’s rights organizations have been advocating for.

- **Scoring based on recent comparable development**
  - HCDC capacity will be an issue, if scoring based upon recent comparable development (less than 3 years). We have staff with HD expertise and plan to add housing developer with grant from MMT, but no recent housing Development experience for HCDC. We experienced organizational issues from 2015-2017; focused on one project no one would fund (Villa de Clara Vista from 2009 through 2017) and development of a scattered site NMTC deal (which included our admin office & Portland Mercado) instead.

- **Permanent Supportive Housing**
  - Agree on all PSH recommendations.

- **MWESB local construction workforce training**
  - Consider allowing MWESB local construction workforce training as a metric for equity.

- **Acquisition with rehab in rural areas**
o Acquisition with Rehab in rural areas should also be addressed, not just expansion of NC – some frontier communities have a difficult time justifying need for new units when affordable housing units have no waiting list or have vacancies.

• **Tech assistance training**
  o Yes, yes, yes on tech asst training and pre-dev $ up to $500K per project.

• **On-line app**
  o Love idea of on-line app. I’ll admit that I missed a drop off deadline because of traffic jam from PDX to Salem, and I’ve heard stories from other developer’s of barely making the cut-off time or missing it.

• **Accessibility of NOFA reference materials**
  o Make reference materials easy to find in the NOFA with links to the exact source document – OHCS did much better with the last NOFA, but the Excel spreadsheet format is terrible).

• **4% and 9% fees**
  o Make sure all fees applicable to 4%/Bond and 9% are spelled out in a matrix, since they do vary.

• **Guidance on PWR and Davis Bacon**
  o Everyone needs more Fed- & BOLI guidance on when PWR or Davis Bacon kicks in – PBVs as part of NC or Acquisition with Rehab will kick in Davis Bacon, and will add significant costs to the project. We also need another PDM review.

• **Comments specific to Scoring Criteria**
  o Page 1
    ▪ It isn’t ‘explained’ in the scoring, but from the OHCS webinar, it appears a project needs to be ‘either’ PSH or ‘family units with special needs target populations’. Is there a better way to do this?
    ▪ Some PSH projects ‘may’ qualify for both PSH AND special needs. Is there a way to score for either PSH or Special needs?
    ▪ Also, this completely dismisses one-bedroom units which are shown to have the highest need in many communities.
    ▪ While we always designate special need units, 25% is pretty high and can lead to management challenges.
For the entire need and opportunity section, it seems there needs to be scales for non-Portland urban. Few neighborhoods outside of Portland metro have walk scores above 75.

For the data sections lines 15-20—while appreciated trying to compare among regions/applicants, it is really difficult to evaluate how these play out on the ground. AND, when you are contemplating developing a project, you are basically ‘going in blind’. OHCS says they will provide preliminary data at pre-app (at time of site visit) but at that point, it is usually too late to pull the plug on an application/project.

Line 30, comparing to unknown census tracts
Line 31/32—this doesn’t make sense in many non-Portland communities where the average commute time is 15 minutes or less. They aren’t big enough to have super MEANINGFUL differentiated areas.

37-39 again, these are ‘comparable census tracts’. A developer has no idea what the comparable are so how do we know when a piece of property is ‘good enough’ to secure in order to score well to get awarded credits.

Consider defining ‘culturally responsive’.

Serving lowest income— Some CDCs have INCOMES restricted at 50% and RENTS at 45% and will NOT want to restrict INCOMES at 45% and eliminate a bunch of people in need of housing. OHCS notes say ‘to be tied to high/low income counties’ but it isn’t clear if the points actually reflect that (A 45% rent in many smaller cities in Oregon is lower than in Portland).

Rental assistance—Housing Authorities control rental assistance...which puts non-profits at a disadvantage. Also, by incentivizing 25% of units having RA, many projects will exceed the 9-unit (I think) limit that triggers Davis Bacon construction rates.

Subsidy leverage—Seems odd there isn’t a difference between a project getting $50K of local funds and one getting $1M in local funds. There should be more
incentives (especially in PJs) for local funders to use a variety of tools to support using national HTF funds. Not clear why there are points for this when Gap also now requires units to be at 30%. For projects that CANNOT get rental assistance, it is easier to use GAP funds to get 30% units than using HTF funds to get 30% units.

- Cost effectiveness—In general, don’t like giving incentives for lower costs. Will OHCS hold applicants accountable if their costs come in higher? Not fair to penalize for having more developed, more accurate budgets. This is comparing among applicants (in an unknown region at this time). This is 6 points that are totally ‘going in blind’ for developers.

- Page 7
  - LIHTC effectiveness—is hard to evaluate without knowing the region. It is difficult to submit an application with so many unknowns because so many projects are based on ‘comparisons.’

- Page 9
  - MWESB—Question if pushing developers to hire MWESB subcontractors in an extremely tight labor market is the most effective way to promote it. Encourage the new OHCS MWESB position to work out their overall strategy to focus more on increasing the labor force in the trades generally with an emphasis on MWESB populations. While MWESB is a focus, allow for self-certifications, etc. Broaden equity focus beyond MWESB contracting.

  - Development team experience—Some high capacity organizations and developers would get zero points under this criteria. The criteria needs to change and lengthen the timeline.

  - Performance—Concerned it appears applicants WITHOUT projects in OHCS portfolio get FULL points. It seems like developers with large portfolios have a greater chance of lower scores because of a few ‘problem properties’.

  - Concerned that so many points are ‘comparable’ and applicants won’t have any info what they are being compared to until the pre-application (which as it is set up now is too late in the development process to bail on a project).