

# ATTACHMENT Z:

## Oregon Housing and Community Services National Housing Trust Fund 2016 Allocation Plan

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### **Purpose of the Program**

The National Housing Trust Fund (HTF) is a new federal affordable housing production program that will complement existing federal, state, and local efforts to increase and preserve the supply of decent, safe, and sanitary affordable housing for extremely low-income (ELI) people and families, including those experiencing homelessness.

### **Statutory Background**

The HTF was established under Title I of the Housing and Economic Recovery Act of 2008 (HERA), Section 1131 (Public Law 110-289). Section 1131 of HERA amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4501 et seq.) (Act) to add a new section 1337, entitled "Affordable Housing Allocation" and a new section 1338, entitled "Housing Trust Fund." 2016 is the first year funds from the HTF are allocated.

### **State of Oregon Receipt of HTF Funds**

Oregon's 2016 allocation from the HTF is \$3 million. Amounts for subsequent years are dependent on a formula distribution.

### **Implementation Timeline**

Due to the allocation schedule, the 2016 HTF allocation will be included in both the 2017 9% LIHTC NOFA and 2017 HOME NOFA anticipated to be issued in January 2017. HTF received in subsequent years will generally be allocated through the OHCS annual NOFA process.

### **HUD Allocation Plan Requirements**

Consistent with the HTF Interim Rule (24 CFR Part 93), the regulations for the Consolidated Plan are applied to the HTF program. As a result, the HTF allocation plan must be consistent with Oregon's Citizen Participation Plan, Strategic Plan, and Annual Action Plan. OHCS must also submit the HTF Allocation Plan, for review and approval. The HTF Allocation Plan must describe how HTF funds will be distributed, including how priority housing needs will be addressed, what activities may be undertaken with HTF funding, and how recipients and projects will be selected. This HTF Allocation Plan is designed to meet the above outlined requirements.

### **Geographic Priorities**

OHCS is committed to ensuring public resources are invested in a way that is responsive to the diversity of low-income housing needs and the need for economic development around the state. Therefore, HTF

funding will be allocated to eligible multifamily rental projects, on a statewide basis, through the established competitive NOFA process currently used by OHCS to allocate LIHTC and HOME funds.

**Priority Needs**

In Oregon's 2016-2020 Consolidated Plan, all of the listed priority needs are ranked with a high priority. The priority below is relevant to the HTF allocation. The population served column is prescribed by HUD to verify that target populations designated by HUD are being served during the plan period.

**Priority Needs with Description and Basis for Priority**

Priority Need/Description	Priority: High Low	Population Served
<p><b>Affordable Housing- Oregon needs more affordable units, especially units available to extremely low-income and low-income residents. Partnerships with developers to increase existing rental units available for low-income renters and incentives such as rent guarantees are key elements to success.</b></p>	<p><b>High</b></p>	<p><b>Extremely Low-income, Low Income, Moderate, Income, Large Families, Families with Children Elderly, Rural Chronic Homelessness Individuals, Families with Children, People with Mental Illness or Chronic Substance Abuse, Veterans, Victims of Domestic Violence, Unaccompanied Youth, Elderly, Frail Elderly, People with Mental Disabilities, People with Physical Disabilities, People with Developmental Disabilities, People with Alcohol or Other Addictions People with HIV/AIDS and their Families Victims of Domestic Violence</b></p>

**Influence of Market Conditions**

Housing production has not kept pace with demand. The foreclosure and housing crisis has increased the numbers of persons competing for housing at every income level. Skyrocketing rental increases and record low vacancy rates indicate a high level of need for new unit production, especially for affordable rental housing for low income and extremely low income households.

Rehabilitation of existing units is a cost effective way to insure that units remain affordable to low-income and extremely low-income renters. Rehabilitation extends the useful life of existing units, and improves the quality of the homes available to low and extremely low-income renters. There are a number of subsidized units with expiring subsidy contracts at risk of transitioning to market rate rentals. As the demand for affordable rental units continues to increase, the loss of these units will place additional households in need of assistance.

OHCS has determined that creating and preserving multifamily rental units affordable to house extremely low-income tenants is the most cost effective and most efficient use of the HTF at this time.

**HTF Affordable Units**

Because the overall 2016 HTF allocation is less than \$1 billion dollars nationwide, HUD's regulations require all HTF units to be restricted to serve ELI households where rents are established at -30 percent of area median income or less. HTF units will most likely be incorporated into newly-constructed or rehabilitated (including preservation) multifamily housing projects receiving other funding resources from OHCS.

**Anticipated / Expected Resources**

Assuming funding levels remain constant throughout the 2016-2020 Consolidated Plan period Oregon will receive the following HTF funds:

- National Housing Trust Fund \$15,000,000 (based on \$3,000,000 per year for five years)

There is no match requirement for the HTF funding.

**Goals Summary**

The goal below, found in Oregon's 2016-2020 Consolidate Plan, identifies the estimated program allocation, and the number of units to be constructed or rehabilitated over the Consolidated Plan period.

Goal #	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Five Year Goal Outcome Indicator
11	Fund Affordable Housing	2016	2020	Affordable Housing	HOME = Balance of State  HTF = Statewide	Accessible Housing Affordable Housing Rehabilitation and Preservation of Units	HOME: \$25,823,650  HTF: \$15,000,000	Rental units constructed: 300 Housing Units  Rental units rehabilitated: 200 Household Housing Units  Accessible Units: Minimum of five percent of units built

**Goal Description**

11	Goal Name	HTF- Fund affordable housing
	Goal Description	Oregon HTF funds will be used to finance the development of affordable housing for low-income households. Funds can be used for new construction, acquisition, and rehabilitation.

The HTF funds will be used serve 60-75 ELI households each year over the plan period.

### **Allocation Priorities**

This is the first year the State of Oregon has received an allocation of HTF funding. OHCS HTF allocation priorities will be similar to those of the HOME program. HTF funds will be used to finance the development of multifamily rental housing statewide.

HTF is a federal affordable housing production program that will complement existing federal, state, and local efforts to increase and preserve the supply of decent, safe, and sanitary affordable housing for extremely low-income families and persons, including those experiencing homelessness. These new funds will be allocated through the established competitive NOFA process currently utilized by OHCS to allocate LIHTC and HOME funds. Applicants for HTF funds will be required to provide a description of the proposed project to demonstrate that it conforms to 24 CFR Part 92.200.

OHCS will implement a funding preference for projects with site-based rental assistance. If no site based rental assistance is available, the applicants must demonstrate financial feasibility and a sustainable project cash-flow with rents on the designated HTF units set at 30 percent of area MFI to be eligible for HTF funds.

### **Method of Distribution**

HTF funds for multifamily rental housing development will be distributed annually through the OHCS Notice of Funding Availability (NOFA). Projects are selected based on criteria published in the NOFA, as well as the LIHTC Qualified Allocation Plan (QAP). The competitive selection criteria include the following factors:

1. Need
  - a. Target Population: percentage of units dedicated to families with children and special needs populations such as veterans, elderly, persons with disabilities, previously incarcerated, survivors of domestic violence;
  - b. Severity of Need: population growth rate, rental housing age, severe housing burden, housing gap (difference between the supply of affordable housing and population in need of housing); and
  - c. Equitably Served Geography: need for affordable housing vs. actual distribution of affordable housing in a geographic area.
2. Impact
  - a. Plan Alignment: connection between the proposed project and established local, regional, and/or state published housing plan documents;
  - b. Leverage: committed leverage of local or state funding;

- c. State Initiative: way in which the project will advance long-term statewide human service policy priorities;
  - d. Resident Services: resident services delivery which includes outcome tracking;
  - e. Affirmative Fair Housing Marketing: proposed marketing plan achieves above and beyond the elements required by HUD;
  - f. Location Efficiency: including walk-ability, food access, medical access, public transit, education opportunities; and
  - g. Location Preferences: vulnerable gentrification areas and opportunity areas.
3. Preferences
- a. Serving Lowest Incomes: income restrictions on qualified units, dedicated site based rental assistance; and
  - b. Federal Preferences: energy efficiency.
4. Financial Viability
- a. Development Pro forma Review: realistic and available resources, relocation plan and costs identified, developer fee within OHCS limits, valid construction costs;
  - b. Operating Pro forma Review: affordable rents, debt coverage ration within OHCS guidelines, cash flow within OHCS guidelines, acceptable vacancy rate, income inflation factor less than expenses inflation factor; and
  - c. Reasonable Request and Demonstrated Need for Resources: well documented and explained construction costs, CNA if rehabilitation project, construction estimates agree with pro forma, contractor overhead, profit, and general conditions within OHCS limit.
5. Recipient Capacity
- a. Owner, Sponsor, Management Performance: OHCS Portfolio performance review;
  - b. MBE/WBE: plan to engage MBE/WBE contractors and subcontractors during development and construction; and
  - c. Readiness to Proceed: demonstrated ability to begin construction within 12 months, ability to secure funding commitment for planned project funds, adequate schedule.

### **Project Specific Requirements**

OHCS generally requires a 60 year affordability period for multifamily rental housing projects. However, due to the extremely low-income requirement for HTF, tenants must be at or below 30 percent of area MFI. OHCS' Housing Stability Council approved a 30-year affordability period for HTF projects. Non-federal match is not a requirement of the HTF program. HTF funds will be leveraged with other federal and state funds. Funds from the HTF allocation will be made available through OHCS' annual LIHTC and HOME NOFA, providing an additional source of funding for multifamily rental housing

projects. The number of HTF designated units will be calculated using the HOME allocation formula. HTF funds will be offered in the form of a grant to eligible applicants.

Rental housing owners and developers will be allowed to give preference to a specific population in accordance with 24 CFR Part 93.303(d)(3) if it is proposed, and the need justified in the application for funding.

HTF recipients will be required to meet program deadlines similar to those required in the HOME Program for spending HTF funds and completing HTF funded projects..

**Maximum Per-unit Development Subsidy Limits**

OHCS will utilize per-unit subsidy limits that are “reasonable” based on the actual costs of developing affordable housing in Oregon and are adjusted for the number of bedrooms in the units and the geographic location of the project. OHCS will utilize the same per unit limits for HTF as are used for LIHTC and HOME programs.

The cost limits below, based on unit size, were established using a five year history of OHCS funded projects.

<b>2016 Oregon LIMIT cost / unit</b>	<b>Studio</b>	<b>1 Bedroom</b>	<b>2 Bedroom</b>	<b>3 Bedroom</b>	<b>4 Bedroom</b>
Urban*	\$200,000	\$240,000	\$280,000	\$320,000	\$355,000
Balance of State	\$155,000	\$190,000	\$235,000	\$270,000	\$300,000

\*Urban definitions would apply in the Metro Region and to any project where the project meets two of the urban project criteria:

- more than four (4) stories,
- elevator,
- required structured parking, and
- located on urban infill site).

**HTF Property Standards**

HTF assisted housing is required to meet OHCS design and construction standards as defined in the [OHCS Project Development Manual](#), which can be accessed on the OHCS website.

**New Construction Projects:** In addition to OHCS design and construction standards, HTF assisted new construction projects must meet all State and local residential building codes, as applicable, or in the absence of a State or local building code, the International Residential Code or International Building Code (as applicable to the type of housing) of the International Code Council. All newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.

**Rehabilitation Projects:** A Capital Needs Assessment is required for all multifamily rental projects to determine a scope of work that addresses the following: health and safety, habitability and functionality, useful life or major systems, lead-based paint, accessibility, and other improvements. In addition, OHCS has established rehabilitation standards (see [OHCS Project Development Manual](#)) for HTF assisted housing rehabilitation activities that must be met upon project completion.

**Acquisition Only Projects:** Existing rental housing to be acquired with HTF assistance that is newly constructed or rehabilitated (less than 12 months before application for HTF funding) must meet the HTF Program Property Standards. An inspection to determine eligibility for HTF funding will be conducted within 90 days of a reservation for HTF assistance.

**Accessibility:** HTF assisted housing must meet the accessibility requirements of 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented at 28 CFR parts 35 and 36, as applicable. Covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet the design and construction requirements at 24 CFR 100.205, which implements the Fair Housing Act (42 U.S.C. 3601-3619).

**Disaster Mitigation:** Where relevant, the housing must be constructed and/or rehabilitated to mitigate the impact of potential disasters (e.g., earthquakes, hurricanes, flooding, and wildfires), in accordance with State and local codes, ordinances, or such other requirements as HUD may establish.

**Uniform Physical Condition Standard (UPCS):** Upon completion, HTF assisted projects and units will be decent, safe, sanitary, and in good repair as described in 24 CFR 5.703.

### **Summary of Lead-Based Paint Regulations for Rehabilitation Projects**

HUD has issued regulations to protect young children under the age of six from lead-based paint hazards in housing that is financially assisted, or sold, by the federal government. The regulation addresses the requirements for notification, evaluation and reduction of lead-based paint hazards in federally assisted properties. The new regulation appears within title 24 of the Code of Federal Regulations (24 CFR 35).

Notices That Must Be Issued To Occupants of Properties: New regulations require four types of notices:

- Distribute lead hazard information pamphlet to all existing tenants and all new tenants. Tenants must sign last page verifying receipt of pamphlet (current EPA/HUD notice still in effect).
- Disclose all known lead hazards that exist in project to occupants.
- Notice to occupants of result of lead hazard evaluation within 15 days of completed evaluation. This notice can be posted in a public place such as lobby or mailroom.
- Notice to occupants of reduction activities undertaken within 15 days of completion. A notice posted in a public area is allowed.

Regulations and Affected Properties: The lead-based paint regulations affect acquisition and rehabilitation of housing projects constructed prior to 1978. All pre-1978 HTF funded projects must comply with the regulations. All units in the project must comply with these regulations not just the designated HTF-assisted units

## **Eligible Recipients**

Eligible recipients are project sponsors, developers, for-profit entities, non-profit entities, and housing authorities. Recipients are required to certify that housing assisted with HTF funding will comply with HTF requirements by signing and recording legal documents with restrictive covenants.

A recipient must:

- Make acceptable assurances to the grantee that it will comply with the requirements of the HTF program during the entire period that begins upon selection of the recipient to receive HTF funds, and ending upon the conclusion of all HTF-funded activities;
- Demonstrate the ability and financial capacity to undertake, comply, and manage the eligible activity;
- Demonstrate its familiarity with the requirements of other Federal, State, or local housing programs that may be used in conjunction with HTF funds to ensure compliance with all applicable requirements and regulations of such programs; and
- Have demonstrated experience and capacity to conduct an eligible HTF activity as evidenced by its ability to own, construct, or rehabilitate, and manage and operate an affordable multifamily rental housing development.