## **Housing Commission Fund Framework—Revised Draft 4-24-21**

The goal of this document is to begin to outline what the Housing Commission Fund selection process and criteria looks like. *This is a preliminary, draft document and is subject to change*. Funding sources for the fund will not be described. This particular document is describing the requirements for the minimum 50% of the overall Fund that must go toward workforce housing projects.

The high-level goals of the Fund itself are flexibility, ease of use, and frequency. We acknowledge the competitive disadvantage Tillamook County is at compared to other locations in Oregon, particularly the Willamette Valley, and we want to begin to offset that by having money easily available for a broad variety of uses.

### **Eligibility**

The subcommittee recommends that any entity be eligible for application to the Fund, including nonprofits, private companies, individuals, and public agencies and governments.

### **Award Types and Limits**

The subcommittee recommends that awards may be given either as grants (no repayment) or as loans (repayment required). Limits are to be determined, but the subcommittee currently recommends some escalating scale based on the units provided, along the lines of:

* 2 units: up to 4 units $10,000/unit
* 5+ units: up to $20,000/unit

Note that the Commission can decide to give awards less than the amount asked. We have also discussed the possibility of two broad-based buckets for applications:

* Higher-risk Pool: Perhaps 30% of the fund; would go toward land acquisition, predevelopment, and other preliminary tasks before the project has overcome some level of scrutiny (such as land use permits)
* Lower-risk Pool; Perhaps 70% of the fund; would go toward System Development Charges, building materials (as reimbursement), or other tasks after projects had achieved some level of certainty (perhaps proof of e.g. 75% of funds, land use approval, etc.)

The goal here was to enable the Commission to take on a variety of projects while also ensuring the money was spent wisely. In some cases, the “angel investment” that enables the first step of a development is hard to come by and the Commission might decide that a proven developer is worth the risk.

### **Process**

The subcommittee recommends the following rough process:

1. On a **quarterly** basis, the fund will open for a to-be-determined period of time *(2 weeks?)*
   1. Subcommittee recommends this be a regular interval; e.g. 1st day of every 3rd month
2. Applications will be made available and can be submitted to the Tillamook County Department of Community Development
3. Staff will verify that applications are complete
4. At the close of the application period, a (SPECIAL/REGULAR?) public Housing Commission meeting will be held where applicants will give a five minute presentation on their project, with time for questions from the Commission.
5. For each project, Commission members will assign a score based on several categories (defined below)
6. At the close of the presentations, Staff will compile the scores across all projects and rank them by their average score – these scores are **nonbinding**
7. Scores will be presented to the public, Housing Commission, and applicants
8. Housing Commission will deliberate on the priority order in which they wish to assign awards and provide a final ranking to Staff, along with a recommendation for whether to grant the full award or a partial award
9. This recommendation will be reviewed by Staff and potentially by a subcommittee for additional financial info or verification as needed
10. At the next Housing Commission meeting, there is final discussion and adjustments made according to Staff requests, followed by formal adoption.
11. The recommendation will then be forward to the Board of County Commissioners, who may also deliberate on and potentially modify awards
12. After passage by the Board of County Commissioners, each project will enter a negotiation phase where the terms of the award (duration, enforcement, etc.) are established
13. Awards granted
14. Recipients will follow up the award by a mandatory report every 6(?) months until to the deadline by which they must spend the money

#### Example timeline

* December 1, 2022—Notice of pending application opening
* January 1, 2022 – Application period opens
* January 14, 2022 – Application period closes
* January 20, 2022 – Presentations, scoring, and ranking
* Intervening time – Staff may review, organize, make recommendations as needed
* February 5, 2022 – Housing Commission formally approves recommendation
* February 11, 2022 – BOCC Reviews, deliberates, modifies as necessary, and approves
* Overall time commitment
  + Staff time for organization, coordination, running meetings – possible challenge
  + Extra meeting once per quarter for Housing Commission members
  + Ideal case, only a couple minutes required at regular meeting for approval
  + Staff time also needed for negotiation phase, formalizing agreement with awardees

### **Criteria**

The subcommittee has been working on a “points” system which will help frame the overall ranking prior to deliberation by the Housing Commission. The overall goal is for no one given category to dominate and to give several paths toward a high scoring project. Remember that this is **simply for initially ranking the projects** and the Housing Commission will have a chance to organize projects after they are scored based on materials presented by the applicant and a question/answer period.

The point “values” of each category can be arbitrarily changed according to shifts in focus or emerging needs, but as of now the subcommittee recommends emphasis on the number of units and their affordability.

This system has several broad categories and is currently proposed as follows:

* **Award Type – 10 points**
  + *Justification: The fund goes further when loans are given, versus grants. The relatively low points value means that grant-seekers are not punished severely for seeking a grant. The fund is regenerated by outside means and therefore loans are not strictly necessary.*
  + Grant: 0 points
  + Loan: Up to 10 points, based on duration (TBD)
* **Number of Units – No limit**
  + *Justification: The Housing Commission believes it is in the direct interest of Tillamook County, consistent with the Housing Needs Analysis, and in service towards solving the existing crisis to produce* ***as many units as possible****. Projects which create more housing opportunity should be elevated accordingly.*
  + 1 point per unit **(market rate units count in mixed affordability projects)**
  + No limit
  + Potential space for exploration: phases of projects
    - Do we grant for one phase of a project at a time or hold back funds as phases are built? This will require further discussion
  + Examples:
    - Holden Creek Apartments – 60 units, 60 points
    - Kingfisher Apartments – 26 units, 26 points
* **Investment Efficiency – 20 points**
  + *Justification: In general, we would like to see our money stretched as far as possible; a lower number here likely means we are simply ‘bridging the gap’, which is a lower-risk and more comfortable position to be in. It is also compatible with the amount of money being brought in, as the fund will not be enough to be the primary funding source for most housing projects.*
  + Projects can score a maximum of 20 points ($1,000/unit) down to a minimum of 1 point ($20,000/unit)
  + One point is lost per additional $1,000/unit requested
  + Examples
    - If someone is building 20 units and requests $20,000 to pay for a small fee, this is a very large return on investment for us at $1,000/unit, and we should probably fund it (20 points given).
    - Conversely, if someone is asking for $120,000 for 10 units, $12,000/unit is not going as far and would cost them points in this category (9 points given)
* **Affordability – No limit**
  + *Justification: While the Housing Commission has been focused on workforce housing, there is as large of a need for affordable housing, which typically has smaller margins, is less likely to be produced by the market, and funding sources for which are extremely competitive. Projects that guarantee some level of affordability should be prioritized over an equivalent project that is not affordable. This section also* ***rewards long-term affordability.***
  + Less than 10 years: 0 points (*Note: This is to match up with state grants)*
  + Ten years or more requires a formula for affordability.
  + 1 point per unit 120% to 81% AMI, 2 points per unit 80% to 51% AMI, 3 points per unit at or below 50% AMI
  + Ex. 1 pt. x 10 units 120-81 AMI; 2 pts. x 10 units 80-51AMI and 3 pts. x 10 units 50 or less AMI = 60 pts.
  + At least 15 years guaranteed for affordable units to gain maximum points. (*Note: This would reach the length of time before a project was subject to Oregon’s statewide rent control)* .5 points for each year beyond 10 years per unit; maximum 3 points per unit.
    - Ex: .5 pts. x 5 years x 30 units = 75 points
  + Subcommittee currently recommends no limit here as there isn’t really a “maximally affordable” project, and these points are not binding
  + Open administration question –
    - How will these limits be enforced? We don’t necessarily have capacity, no to mention privacy/legal concerns, to track tenants’ income. Property tax exemption avoided this by setting limits based on AMI plus the number of bedrooms. **Will we likely have to take a similar approach here?**
    - Take HUD AMI/MFI, multiply by AMI percentages, adjust limits for proposed project based on number of bedrooms. This will have to be written into and enforced via the deed restriction.
* **Additional Criteria – 5 points each**
  + *Justification: We want our process to be open and flexible. However, we should reward applicants who are better prepared or have more materials. This is essentially a space where we can have some criteria that reduce risk.*
  + These could be determined later and be subjective, some examples:
    - Applicant has a proven track record of developing housing
    - Applicant has provided financial documents that show a demonstrated need for the investment and which show a high chance of success
    - Project will not result in the displacement of existing residents
    - Project is sponsored by other organizations or agencies that work in the development of housing
    - Project is clear in scope, location, need, budget, and goals
    - Project makes a conscious effort to achieve compatibility with the neighborhood through design or other features
    - Project includes social services or other resources (e.g., playground, daycare)
  + Staff recommends finding enough of these to grant perhaps 50 points via this mechanism
* **Strategic Focus – 25 points**
  + *Justification: Our priorities change each year. Having a yearly focus enables the Commission to reward projects that fulfill the goals of the Strategic Plan and of the County.*
  + Each year the Housing Commission can specify a focus area, e.g. Affordable Housing, Homelessness, etc., which will be clearly defined and be worth 25 points for satisfying
  + This could also be a particular area (e.g. “South County”)
* **OVERALL POINTS: Somewhere around 250-300 points**