

Entry Name: Housing Needs Analysis for the OHCS Consolidated Funding Cycle
Category Name: Management Innovation – Operations
Recognizes outstanding innovation in internal operations management to strengthen agency operations and achieve strategic objectives
Housing Agency: Oregon Housing and Community Services

Overview

During the past year, Oregon Housing and Community Services developed an innovative method for identifying and prioritizing unmet local housing needs across the state.

OHCS's new process—employing a careful analysis of local unmet needs—is a better way to distribute scarce resources and reach the department's goals. It encourages development of housing for groups facing the greatest need, allowing the department to be a better partner with the private- and public-sector businesses and organizations that provide vital affordable housing across Oregon.

The OHCS needs analysis guides each Oregon community's decision-making for new housing development. It is a critical component of the new self-scored section of the consolidated funding cycle application, which allows applicants to gauge a project's chance of receiving funds before investing significant resources required to make a formal application.

These changes support the department's mission of providing "leadership that enables Oregonians to gain housing, become self-sufficient, and achieve prosperity."

When and why it was undertaken

OHCS distributes most of its state and federal grant and tax credit funding for the development of affordable rental housing through a competitive application process, the Consolidated Funding Cycle (CFC). In the past, the department graded projects in a handful of categories such as zoning compliance, market demand, sponsor capacity, financial feasibility, and readiness to proceed without data with which applicants and the department could evaluate the unmet needs of Oregon's special needs and low-income workforce populations.

For applicants, the previous CFC application process entailed a significant investment with unpredictable odds of success. OHCS had limited funding compared to the demand; the agency usually funded only about half of the applications received in any CFC round. Perhaps more troubling, without the ability to prioritize based on the housing needs of each local population group, applications for critically needed housing projects could have been overlooked.

The improved CFC evaluation helps developers make initial determinations about their proposed projects. The new priority ranking allows the department to communicate clearly its priorities, enables communities to understand better their housing needs, and enhances applicants' chances for funding success.

The housing needs analysis supports effective stewardship of state affordable housing development resources to best address the housing needs of Oregonians, and to transparently identify these state priorities. The analysis and CFC application which includes a new self-scored section was designed and evaluated with input from an advisory group consisting of statewide housing developers, consultants, and lenders from the public, private, and not-for-profit sectors. Beginning with the Fall 2008 CFC application, in addition to application points awarded for the project's market demand and financial feasibility, the needs of the population to be served by a proposed project now contribute about 20 percent of the total application points.

Now prospective applicants and community leaders have a tool—the CFC needs analysis—to assess the viability of their housing application before launching the arduous and costly task of applying for OHCS resources to finance a project through the CFC.

Description of Analysis

OHCS derived the priority levels for workforce and special needs renter populations through an objective, statistical process. The department analyzed how well existing housing met the needs of each group. OHCS has determined priority levels for housing special needs and low-income renter households for all areas in Oregon. The agency then assigned a priority 1, 2, or 3 for each housing population group based on their locally compared unmet need. By policy, housing for people experiencing homelessness always receives priority 1.

Two key pieces of information form the foundation of the analysis: the number of people needing housing in each population group and an inventory of existing affordable housing. For the latter, the department built a new affordable housing database.

For special needs populations—The OHCS needs analysis looks at the population distribution of special needs housing groups including people with the presence of a disability (physical, mental, developmental), domestic violence survivors, elderly, alcohol and drug rehabilitation, and the homeless. The department ranked special-needs populations within all Oregon counties, based on the percentage of the population served by existing housing. OHCS then assigned priority levels to each special needs population in all counties. Priority designations reflect the relative housing need for each group based on its population and the number of publicly financed housing units in place to serve the group.

For low-income renter workforce housing—OHCS looked at the number of renter households earning between 30 and 60 percent of a county’s median income to determine the priority levels in this category. It then identified the percentage of these low-income households that spent more than 30 percent of their income on rent and utilities – the “rent-burden” threshold. The department then assigned a priority, based on a city or county burden rate. Any community in which the percentage of housing burdened low-income renter households was higher than or equal to the state average received top priority.

For each measure, the department strived to use the most current and reliable data sources available. Data sources included population information from the American Community Survey, state reports from the Department of Human Services, the Oregon Department of Justice, and service providers across the state. In addition, local jurisdictions and applicants may request that OHCS reevaluate the priority level for a specific project, based on local data that supports increased need.

What it has accomplished

The needs analysis has contributed toward several improvements in the housing development fund distribution in Oregon.

Addressing the housing needs of Oregonians—For the first time, OHCS can objectively evaluate and prioritize funding for proposals based on the populations the development will serve. The new approach encourages applicants to propose projects that target the most under-served populations.

Reducing the cost of applications—Completing a CFC application requires a significant financial investment of about \$30,000. By using this analysis to prioritize projects based on the population’s relative housing needs, potential applicants can better assess how an application will fare before investing the time and money on financial, market, and architectural documentation.

Building a housing inventory—A large part of evaluating the need for special needs housing is the identification of the housing that already exists. OHCS created an unprecedented statewide affordable housing inventory that combines information from all OHCS financed projects with those from local housing authorities, Rural Development, HUD, and regional governmental agencies. This massive effort produced a database of projects. The database will help OHCS housing analysts and community-based

appraisers assess the nature of local housing supply. OHCS has already used this database to map projects to identify housing resources in response to regional emergencies, identify gaps in the distribution of housing throughout the state, better understand the impact of expiring rent subsidies in need of preservation funding, and document existing investment in communities across government entities. The database will also help service providers place clients, thus maximizing use of state housing resources.

Creating greater awareness of housing needs—In addition to being a valuable tool for directing funds and informing applicants, the needs analysis plays a larger role in shining light on those population groups with significant unmet housing needs. It will encourage housing advocates across the state to concentrate on the challenges in providing workforce and other housing that will address the needs of all Oregonians.

Why it is meritorious

OHCS has taken an active leadership role in addressing and identifying the housing needs of Oregonians. By using the housing needs analysis to help guide funding, OHCS has in effect issued requests for proposals for specific housing development to serve those who have the fewest housing options, and face the largest challenges in finding housing they can afford. This allows OHCS to drive the development of housing rather than passively receiving applications.

How it relates to the 2008 judging criteria for Management Innovation; Operations Innovative—Prioritizes local needs for various housing types in a quantitative, data based, and objective fashion.

Replicable—Relies on well-documented, locally accessible, and replicable data. Any other state or locality can apply the same analytical process to determine its unmet housing needs

Responds to a management challenge or opportunity—Reorients resource allocation to ensure that it addresses the most significant housing needs of Oregonians. The way in which OHCS allocates resources determines the character and direction of Oregon’s affordable housing development. As housing development agencies and community development organizations have matured, this analysis allows OHCS to look beyond the applicant’s capacity and a project’s financial feasibility to the community’s unmet needs when making funding decisions.

Achieve measurable improvements in agency operations—Provides a baseline for evaluating how well the state responds to unmet housing needs.

Provide benefits that outweigh costs—Offsets unnecessary spending through enhancing the transparency of the CFC application process. OHCS employed a research analyst to develop the housing inventory and needs analysis. Housing agencies can, knowing the relative priority of a target population group, avoid the cost of preparing an unsuccessful CFC application. It also moves the state to equitable production of housing opportunities for all special needs groups.

Demonstrate effective use of resources—Guides housing developers to address the most significant needs, and targets the state’s limited resources on housing for populations with the fewest opportunities. This is particularly important as the need for affordable housing in Oregon greatly exceeds the available pool of housing tax credits, bonds, and grants.

Achieve strategic objectives—Supports the department’s mission of providing “leadership that enables Oregonians to gain housing, become self-sufficient, and achieve prosperity” by ensuring responsible stewardship of state resources to address Oregonians’ most critical housing needs.