

# Local Innovation and Fast Track Housing Program

**Oregon Housing and Community Services**  
Rental Housing: Encouraging New Production

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Local Innovation and Fast Track (LIFT) Housing Program  
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**Entry Title:** Local Innovation and Fast Track (LIFT) Housing Program

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### **Overview and Summary**

OHCS' LIFT program is a powerful new tool to produce affordable rental housing in communities across Oregon. In particular, LIFT has been a game changer to open doors in rural communities by leveraging federal resources, building partnerships and fast tracking housing development. To date, LIFT has produced more than 2,000 new affordable homes across the state, 675 located in rural communities.

In response to the growing housing crisis in Oregon, state leaders made available General Obligation Bonds to create the Local Innovation and Fast Track (LIFT) housing program in 2015 with a charge to rural communities and communities of color. OHCS designed LIFT with the intent of leveraging it with 4% Low Income Housing Tax Credits (LIHTC) and multifamily conduit bonds to spur rural housing supply.

Like many states, Oregon had historically failed to realize the potential of the 4% LIHTC program, typically closing just a handful of 4% transactions each year, and exclusively seeing 4% LIHTC new construction in the Portland metro area. With LIFT, we saw an opportunity to leverage the state funds with the 4% program to unlock the new construction potential of small towns and rural communities. We also saw an opening to build new service partnerships to meet the needs of communities of color. This funding strategy has unleashed the 4% LIHTC program as a powerful new construction tool for rural Oregon transactions that would never have penciled out without LIFT. In 2016, OHCS closed four 4% LIHTC transactions; in both 2017 and 2018 we closed 12 4% transactions, and in 2019 we are on track to close 20 4% LIHTC deals, many of them in rural locations.

As a testament to its success, LIFT has grown and flourished – since the original investment of \$40 million in 2015, the legislature doubled down on LIFT in 2017 with \$80 million, and Governor Kate Brown is proposing an allocation of \$130 million for LIFT in the 2019 legislative session. Residents began moving into new LIFT developments in 2018!

### **Background: Responding to the Need for Rural Housing**

Oregon is experiencing a severe housing shortage. The research firm EcoNorthwest estimates that Oregon underbuilt by 150,000 homes between 2000 and 2015. Vacancy rates in some markets have hovered around 1%. Zillow reports that between January 2013 and January 2017 Oregon saw a 30% increase in rents, the largest in the country. Rural Oregon is not immune to this issue. In fact, rural Oregon has seen greater population growth when compared to rural communities nationwide. According to the State Economist, incomes in rural Oregon are comparable with those of rural America but Oregon's home prices are 30% higher, and rents are 15% higher.

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Building new affordable housing in rural communities is a formidable challenge. Local governments lack capacity to identify land for housing development. With construction costs the same or higher than in urban areas, it is hard for developers to get housing projects to “pencil out” in rural Oregon. Small projects are even harder to finance. What’s more, financing is not as readily available in smaller communities. Most Oregon localities do not have HUD block grants or other financial tools to bridge the cost of development — and private capital is not as available as in larger cities.

**LIFT innovation: Program Design, Implementation and Continuous Improvement**

OHCS worked hard to stand up LIFT to meet the needs of rural Oregon and to meet the unique challenges of using state General Obligation bonds. This process has required innovative approaches and a commitment to learn from and build on successes.

Keys to our success included addressing the following:

- Owner/operator requirements of Article XI-Q Bonds: these funds require the state to own or operate any real property development. We worked out a structure that allows OHCS to meet the operational requirements of the state (rather than requiring state ownership) by putting funds into the transaction as a loan fully secured by the property.
- Tailoring subsidy limits for rural communities: We created a soft set-aside of 50% of the funds for rural communities. To boost rural applications, we established a higher per-unit LIFT award for rural projects, recognizing more funding would be required for these transactions to pencil.
- Scattered sites: To boost production numbers, we created incentives for scattered-site developments, leveraging an urban and rural site together in a joint application. One such scattered site project is under construction and another received an award in April 2018.
- Partnerships: Experienced developers are teaming up with resident service providers that have strong ties to communities of color to best meet resident needs.

**Replicating the Power of LIFT**

Through LIFT, the state of Oregon for the first time allocated Article XI-Q General Obligation Bonds for the construction of affordable housing. This funding source has historically been allocated for public facilities. Affordable housing is now considered on par with these other public infrastructure investments in legislative deliberations. Other states can follow suit with their state GO bond resources.

LIFT has been effective to reach rural areas of the state where housing simply would not have been otherwise built. The intentional infusion of state gap financing into rural 4% transactions has gained traction and changed the game in rural Oregon. The dedicated pairing of LIFT and 4% LIHTCs was baked into the front end of the LIFT application process, and the gap funds have enabled 4% transactions to pencil out successfully. This has tripled the number of 4% transactions closed in Oregon since the inception of LIFT, ensuring we are harnessing these key federal resources.

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**Media and Links:**

Cornerstone Apartments—First LIFT Community to open: <https://www.cornerstoneapartments.org/>

LIFT Funding Awards Press Release from April 9, 2019:

<https://www.oregon.gov/ohcs/DO/newsreleases/2019/04-09-2019-LIFT-Awards.pdf>