

OHCS Transition Planning Framework

January 22, 2013

Pursuant to Governor Kitzhaber's Balanced Budget (GBB) for 2013-15, OHCS is launching a planning effort to develop a new service delivery system for its housing finance and community services programs. This plan will be presented to the Governor and legislative assembly no later than February 2014. Upon acceptance of the plan, second year biennial funding for programs and administration can be approved, and implementation of proposed changes can begin. It is expected that programs will be transitioned by the beginning of the 2015-17 biennium, if not sooner.

This document provides a framework for the planning effort about to begin, including the following elements as they are currently known and/or assumed.

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1. Core operating assumptions
 2. Guiding and aspirational policy principles
 3. Elements of a governance model of the future
 4. Business process approach and tentative timeline
 5. Community engagement and ongoing communication

1. Core Operating Assumptions

The effort to develop a new service delivery model for Oregon Housing and Community Services (OHCS) programs and activities is part of a larger ten-year state government transformation agenda articulated in the GBB. As such, there are certain assumptions that will be imbedded in the process and deliverables that will help guide advisors and planners, including the OHCS Director, as the work is undertaken.

- a. New resources will not be available for programs, and existing flexible resources for operations will be materially diminished given structural changes in the single-family finance market and historically low interest rates.
- b. New models of service delivery will be more efficiently administered and add more value to intended recipients than the existing model. Costs and administrative burdens will not simply be transferred to non-profits or local government.
- c. The resulting plan will incorporate new models of decision-making and governance to strengthen policy linkages across state government (see additional information, below).
- d. The resulting plan will advance improvements in state government administration pursuant to the 10-Year Plan and GBB.
- e. OHCS is one of the first, but will not be the last, state agency to plan for consolidation, so the planning process and methods will be designed to be replicable and able to serve as a model for future consolidation efforts of state government.

- f. Employees and key stakeholders will be engaged and consulted throughout the process to the greatest feasible extent to ensure broad perspectives and expertise inform the ultimate recommendations (see additional information regarding engagement, below).
- g. Decisions about what new models are proposed to the Governor and Legislature in the final Plan will be made by the State's Chief Operating Officer, in consultation with the OHCS Director.
- h. Any transition of employees will be carried out in accordance with both the spirit and letter of Public Employee Collective Bargaining Act rules.
- i. New service delivery models may mean some long-standing programs will no longer be offered, and existing programs that continue may see changes in order to leverage other funds, obtain greater outcomes and/or meet a broader policy objective.
- j. New service delivery models may mean the State assesses risk and its fiduciary role differently, and reevaluates its requirements for documentation, process and compliance monitoring, even while it maintains obligations connected to receipt of federal funds.
- k. New service delivery models may mean Oregon seeks waivers from federal agencies to try new approaches.

2. Guiding and Aspirational Policy Principles

With the prospect of major systems change, a clear articulation of a vision, or guiding principles, can help focus planners and others engaged in the process on the dimensions of change to be undertaken. While it is premature to propose a vision per se, the following principles paint a picture of the role the underlying programs play in the broader arena of state government. They are drawn from a variety of work done in the past year by OHCS, including planning work by the State Housing Council.

- a. Housing that is affordable, healthy and well-located is foundational to achievement of Oregon's long-term goals as articulated in the 10YP.
- b. Safety-net services such as shelter, emergency food assistance, and eviction prevention are vital and must be preserved even while state government strives to ameliorate the root causes of poverty and have fewer Oregonians in need of such services.
- c. Affordable housing and poverty-alleviation policy will gain prominence by being considered within the larger framework of health, prosperity, education, and community vitality, and not solely the jurisdiction or concern of a distinct, "silo'ed" agency.
- d. Greater numbers of low-income individuals and families can be more effectively served if additional resources flow to local communities, and state government's role is concentrated on setting broad policy, establishing desired outcomes and metrics, and providing efficient functional service support, such as consistent grant and loan administration.

3. Governance Objectives for New Model

One key part of the 10YP and transformation of state government is recognizing that some aspects of decision-making, policy setting, and governance have contributed over time to a lack of clarity about direction and role. The transition of OHCS provides an opportunity to establish new governance models. As this part of the analysis and design take shape, a few long-term objectives will be considered.

- a. The State has valid and compelling policy interests in the provision of affordable housing and anti-poverty services and will strive to clearly articulate those and set up accountability systems, even while supporting local communities to undertake their own priority-setting work.
- b. The current seven statutorily-named advisory bodies for OHCS will be replaced with a new body charged with setting integrated policy outcomes and advising on opportunities for alignment. This could be a high-level Prosperity Cabinet, or a sub-set of such a cabinet.
- c. Local governments, non-profits and housing developers which currently deliver OHCS programs to Oregonians will be supported and encouraged to engage with emerging Coordinated Care Organizations (CCO's) and Regional Solutions Teams (RST's) to ensure local and regional consideration of housing and anti-poverty strategies are aligned in communities.

4. Business Process Approach and Preliminary Timelines

OHCS will employ strong project management principles in developing the Plan over the course of the next several months. Leadership will also ensure that existing daily program management and administration work continues uninterrupted, and will support employees to continue being responsive to business partners and the public even while a major change effort is being undertaken.

The department is assembling baseline information on each of its programs, including statutory and/or regulatory background, current delivery systems, direct and indirect cost factors as currently administered, and any performance measures available. Oregon's Secretary of State is currently conducting a performance audit designed to examine duplication and fragmentation of housing and service-related function across state government. The results of this audit will be considered as part of the analysis that may inform the eventual plan. Baseline information will be formatted to be accessible to multiple interested audiences who will be asked to comment on possible new models throughout the process.

While the final deadline for submission of a plan for new delivery models is February 2014, OHCS will target delivery of a project update to the September 2013 legislative days, followed by completion of a (nearly) final plan by November 15, 2013, to allow review, discussion, and modification within the December legislative days.

5. Community Engagement and Ongoing Communication

Transparency will be a core value of the planning process. A comprehensive community engagement and outreach plan will be developed and implemented to inform the ultimate plan. This work will begin with OHCS hosting a series of listening sessions with small, diverse groups that represent a broad range of stakeholders, including partners, personnel from other state agencies, and OHCS employees. This engagement will aim to tap the deep expertise held by a great number of individuals and organizations and have such intelligence inform service delivery design and approaches. Existing forums, such as State Housing Council, Community Action Partnership of Oregon, Advisory Committee on Energy, and others, will be used to the greatest extent possible as forums to share emerging ideas, and facilitate reactions and new ideas.

Because of the diversity of programs and large number of stakeholders and expert practitioners across all OHCS program areas, a small steering committee will be formed to synthesize gathered input, review baseline materials, and provide more refined advice to the OHCS director in formulating the plan. The composition of the steering committee will be diverse and include individuals who are well respected in their field with an ability to set aside the potentially narrow interests of their organization and consider new ways to achieve broad outcomes, even if it means they will experience some loss in the transition. It is expected that legislative members will be included in the process at multiple levels.

OHCS recognizes that large numbers of individuals and organizations have a stake in the ultimate design, and that new communication tools will need to be incorporated to share status updates broadly, and garner real-time feedback about emerging ideas. It is also recognized that many stakeholders' and participants' best ideas may not be incorporated as suggested. The agency will work diligently to create feedback loops that can assure those with vested interests have a clear view of how their recommendations have been fully evaluated.

OHCS Service Delivery Redesign Vision

January 22, 2013

From	To
An administrative and programmatic business model that is fiscally unsustainable.	A service delivery model that matches costs to available resources.
Programs that operate independently, and often without consideration of other public investments.	Programs that leverage, and are strategically aligned with other state and local programs.
Complex and costly regulatory paperwork and compliance functions which may not effectively mitigate risks to the State or otherwise protect past public investments.	Reduced paperwork requirements and a streamlined compliance and monitoring system that helps manage the true risk exposure.
Outcome goals and metrics that are unfocused at both the program and policy levels, complicated by more than 20 unique data reporting systems that impair our ability to track progress internally and externally.	Clear outcome goals that drive program structuring, investment strategies and policy priorities, and are supported by integrated reporting tools that provide transparency and accountability.
Multiple (7) statutorily-named advisory bodies and ad-hoc work groups that advocate for policies and programs in an uncoordinated fashion, typically examining program funding streams individually, with the unintended consequence of inhibiting the establishment of a well-articulated housing policy agenda for the State.	A well-articulated housing agenda for the State, driven by the ten-year policy outcomes [presented in Governor Kitzhaber's 2013-15 Budget], and overseen by a new high-level commission or cabinet that is charged with addressing conditions and causes of poverty and pursuing prosperity opportunity for all Oregonians
Program funding decisions and priorities that are State-focused - especially multi-family housing development.	Funding systems that balance high-level state policy goals with local and regional priorities, needs, assets, and investments, while building on the strengths of Regional Solutions Teams and emerging Coordinated Care Organizations.
Policies and processes that emphasize marketing of loan products to generate fees and other unrestricted revenues, as opposed to responding to an identified need in the community [or private market availability of] for such loan products.	A system of analyzing community housing needs and private market finance opportunities to determine the most effective use of limited resources.
A concentration of human, service, and capital resources in Salem.	Increased resources available to, and concentrated in local communities.



Guiding Principles for Restructuring of Oregon Housing and Community Services (OHCS)

Oregon Opportunity Network recognizes that in order to better serve Oregonians and more effectively steward public dollars, OHCS's current business model needs to change. We are eager to engage with the agency, the Governor's office, the State Housing Council, members of the State Legislature and our partners and members to create a new and more effective model for delivering housing and community services to working families, people with disabilities, seniors and others struggling to meet their needs in communities throughout Oregon.

In order to ensure a successful outcome, we propose the following **fundamental principles** to guide the restructure process:

1. **The end result must improve the lives of low-income and vulnerable Oregonians.** OHCS programs serve Oregonians whose needs are not met by the market. The outcome of the restructuring should be not just more efficient use of public dollars but stronger, healthier, more stable households throughout Oregon. Equity, the elimination of disparities and addressing the root causes of poverty must be a focus of the process.
2. **The restructure should strengthen and expand support for the continuum of housing needs – as opposed to scattering and diminishing these crucial programs in the name of “efficiency.”** Housing gives people the opportunity to build better lives. We cannot achieve the goals cited in the Governor's 10-Year-Plan without increasing access to safe, decent, affordable housing (both rental and homeownership) throughout Oregon.
3. **Even if there is no longer a housing agency, there must be an entity in state government that is responsible for affordable housing policy.** There needs to be a coordinated and comprehensive assessment of needs, establishment of goals, and accountability for results.
4. **The new delivery systems must include “best in class” expertise in housing finance.** To ensure increased efficiency and quality of services, those responsible for administering these complex programs must have expertise in the field.
5. **Engage partners during the redesign, and vet proposals carefully to avoid unintended consequences.** The frontline work of OHCS happens in the communities throughout the state, executed by seasoned practitioners who are true experts in the fields of housing and community and economic development. Many of our non-profit leaders have decades of experience delivering results to Oregonians. It is important to engage these experts throughout the redesign process to ensure the best possible outcomes and to ensure that vulnerable Oregonians truly benefit from the redesign.
6. **Ensure federal and other matching funds are not put at risk.** The relationships between federal, state and local governments are in the midst of changes and challenges that

must also be considered in order to achieve positive outcomes. In particular, Oregon must not lose any precious resources as a result of this transition.

7. **Ensure continuous delivery of services during the transition to a new model.** Vulnerable Oregonians need services before, during and after the transition process. The transition must maintain service delivery and resource allocation without interruption.
8. **The costs of the administration of programs should be decreased and not just shifted to the local government, private or non-profit sectors.** The result of this process should lead to administrative savings realized both by community partners/service providers and by state agencies. One way to increase efficiency is by streamlining compliance and monitoring. The new system for the delivery of housing and community services should reflect overall savings and an increase in resources to serve communities and individuals across the state.
9. **Strengthen and expand existing partnerships – creating communities, strengthening portfolios and building local capacity to respond to other community needs.** All providers – non-profits, for-profits, the faith community, local governments and volunteer efforts – should be better aligned and supported. Efficiency, effectiveness, transparency, accountability and the development of measurable outcomes must be the goals of all efforts.

The Oregon Opportunity Network is a membership-based, statewide association of affordable housing and community development organizations that provide housing and economic opportunity for working families, people with disabilities, seniors and others struggling to meet their needs in communities throughout Oregon.

Oregon ON members are nonprofit housing developers, Public Housing Authorities, home ownership educators, stewards of public investment, job creators, service providers and community leaders. Oregon ON's affiliate members include financial institutions, builders and other professionals who share the goal of providing high-quality affordable housing and strengthening communities across the state.

February 4, 2013

Margaret Van Vliet
Oregon Housing & Community Services
725 Summer St. Suite B
Salem, OR 97301

Dear Margaret:

As community partners, we know that having a safe, stable and affordable place to call home is how Oregonians are able to access opportunity and achieve stability for themselves and their families. We are eager to work with you over the coming year to determine how the housing needs of Oregonians with low incomes will be met in the future.

To that end, Oregon ON recently convened an informal meeting of several partners to discuss the OHCS transition, including Community Action Partnership of Oregon, Housing Alliance/Neighborhood Partnerships, Human Services Coalition of Oregon, Oregon Housing Authorities and the Oregon Hunger Relief Task Force. We plan to continue meeting, and are bringing in additional partners such as Oregon Food Bank. We hope that this can help foster stronger communication as we move into a transition that is complex and challenging, but also presents opportunities for positive change.

As you know, several of us have developed “guiding principles” documents. While each of our organizations interacts with OHCS programs in different ways and each of us plays different roles, we support each other’s guiding principles and see a strong common theme in putting people first – that is, ensuring that we end up with a system that better serves Oregonians.

We appreciate the principles outlined in your Planning Framework memo. We’re ready to be at the table to work with you to develop the plan and figure out the best way to deliver services to Oregonians in a more effective and efficient manner, while providing policy oversight at the State level.

As you can imagine, we are hoping that the steering committee referred to in the framework memo will include representatives from our coalition of stakeholders. We know that the committee cannot be too large if it is to function effectively; yet broad representation is important to ensure a positive outcome. We also acknowledge the need to balance having advisors who can look beyond their own organization’s perspective or self-interest and instead focus on the whole scope of agency operations, while also ensuring you have the expertise that you need around the table. We would welcome a conversation about how we, as a coalition of stakeholders, can best support you in forming a strong and effective steering committee.

Thank you for your dedication to a transparent process and a good outcome. We look forward to working together and with you toward our shared goals of delivering services to improve the lives of Oregonians. We hope to meet with you in the near future to help launch this effort.

Sincerely,



John Miller

On behalf of Oregon ON, Community Action Partnership of Oregon, Housing Alliance/Neighborhood Partnerships, Human Services Coalition of Oregon, Oregon Food Bank, Oregon Housing Authorities and the Oregon Hunger Relief Task Force



NOFA Comments – Feb. 21, 2013

The Oregon Opportunity Network appreciates the many opportunities we have had to share our insights as OHCS works to re-design the multi-family funding application processes. We are pleased to be close to a final product and also pleased that many of our recommendations have been incorporated. This letter addresses our comments on the proposed NOFA and scoring methodology presented by OHCS on February 8, 2013. We begin with general questions and comments on the draft. This is followed by more detailed discussion of the proposed scoring methodology.

Questions & Comments

- P 1: (1.2) HUD reference with LIHTC is inaccurate – this is an IRS program
- P 3 (1.3) & p 5. There should be more conversation about whether there should be a limit on the number of applications. The Capacity & Ready to Proceed criteria should be used to evaluate feasibility of specific projects and capacity of organization to do multiple projects.
- P 3 (1.5A.) The affordable housing supply lists must be reviewed. Quick reviews of the Multnomah and Clackamas County lists are finding double counts, properties that are no longer affordable and projects that were never completed—these two counties alone may have an over-count of more than 2,000 units. We urge OHCS to scrub the data in these lists before final publication. This is important in the regional allocation, the qualifying counties, and especially in the scoring of Need. Unless the supply data is fully accurate, OHCS' comparisons of projects within regions will be fundamentally compromised.
- P 4 (B). Add charitable contributions to the list of potential investments. Clarify that significant is viewed in the context of the local community.
- P 4 (D). Add "local" priorities to the list of governmental levels. We are concerned about the reference to projects meeting "multiple" goals: a project that very effectively meets one goal how should qualify as well as a project that minimally meets two policy goals.
- P 5 Regional Needs: We are unable to track the narrative description of the regional need to the spread sheets provided. The text describes two factors rather than three. How does available supply figure into formula? Why is the number of extreme rent burdened households divided by total renters rather than lower income renters? Why are percentages rather than numbers of un-served households a better indicator of need? For example Multnomah County has an unmet need of more than 12,000 households while Sherman County has a need of 21 households, but Multnomah County is not prioritized while Sherman County is.
- Oregon ON continues to wonder whether rent burdens of 60% AMI households are the best measure. We know that the percent rent burdened increases dramatically for households at 50% and would like to see the data to confirm that this would not produce a different set of qualified counties or regional allocations.
- P. 5. Again, there is a reference to a limit on the number of applications. See comment above.
- p 5 "Allocation Process." What is the "minimum threshold score?" Our concern is predictability – if thresholds are being set, thresholds need to be clear and published before NOFA so we can "self check" these criteria.
- p 5 "Re-Evaluation of Award Reservation." What problem is trying to be solved with re-evaluation--funding requirements, urging diligence from sponsors, changes in project costs

when delays occur? We recommend measuring performance against the project's own schedule. While 240 days is preferable to the original proposal, this is still an arbitrary timeline that may or may not work for individual projects (for example projects with mixed use, RD, VA, etc.).

- P 7 (3.3). We would like to see more detailed qualification criteria for each category.
- P 8 (3.3). Resident Services should refer to a "description" not an Agreement.
- P8 (3.3, Readiness to Proceed). Veteran's Administration and other potential Federal or State agencies should be added to list regarding other funder status. The criteria should state the preferred or required status of other funding applications rather than simply asking about the status
- P 8 (Sources & Uses). Having this point here implies evaluation of the timeline of sources in this category. It should be evaluated under Readiness to Proceed only.
- P 8 (Construction Standards). Land cost should be evaluated as a "cost per unit" for the market in which is it located rather than a percentage of total project costs.
- P 10 (4.4). The text reads: "The Agency will provide written responses of all timely filed-protests denying the protests and affirming the Award." Does this mean that all protests will be denied, or should it read "or affirming an Award."
- P 11 (Cover Sheet). This appears to be a cover sheet for procurement and may need a number of adjustments. The sections relating to the Business Registration Number and entity, Voluntary Information, Oregon Resident Applicant, DUNS#, are requesting information not previously requested by OHCS and may require clarification. The Certifications refer to a "Grant" rather than a Funding Reservation and a formal Affirmative Action policy that are not typical of sponsor agencies.

Scoring Methodology

Our most significant concern is with the proposed scoring methodology. When we began the re-design process almost a year ago, we communicated four primary goals of a new allocation process. That it be...

- ✓ Policy Oriented: The scoring method should focus on how a project fulfills policy objectives rather than the quality of the grantsmanship of the sponsor.
- ✓ Predictable: Because project sponsors make significant investments and take significant risks in proposing projects for funding, it is critical that they have a good sense of how their project is likely to fare while at the same time recognizing that the results cannot be completely predictable because the competition cannot be anticipated.
- ✓ Transparent: That OHCS clearly express its standards, priorities, processes & methods so that project sponsors can design projects with the highest likelihood of success.
- ✓ Create Meaningful Point Spreads: The scoring system will be most defensible if there is a measurable difference between the winning and losing applications.

The scoring methodology proposed by the department clearly meets the first goal—all 100 points are awarded based on how well the project meets public policy objectives. However, we believe the methodology falls far short of the goals for predictability and transparency. Since we understand that this is still a work in progress, we wanted to offer some suggestions. Our big picture concerns and recommendations include:

CONCERN - PREDICTABILITY: The scoring factors provided by the department are long, undifferentiated lists. With 30 indicators overall, an understanding that the department will add more, and that the

project sponsor can add unique indicators that apply to their project, it is hard to tell what the department cares most about.

RECOMMENDATION: The basic ideas we wanted to convey is that policy objectives should be defined, clustered and weighted. The table below illustrates one way that this could be done. We believe that we have captured all of the factors in your lists (and added a few).

We organized this so that each factor is in only one category (the OHCS lists included population characteristics in both Need and Best Use of Funds; the same was true for achieving public policy objectives). We also added more details about cost effectiveness and leverage in Best Use of Funds.

CONCERN - TRANSPARENCY: We are unclear whether the method will produce a meaningful point spread or not. In effect, the message from the department is, “we can’t tell you what a great project would look like, but trust us, we’ll recognize it when we see it.” We also do not know who will be scoring the NOFA (internal or external reviewers, one team or split up) so it is hard to know what to assume about knowledge/ familiarity with development of the reviewers as we write.

RECOMMENDATION: We recommend sub-dividing the points more to give more transparency for applicants. In the table below, we have assigned priorities and weights according to our viewpoint, but understand that the department may have a different sense of how to allocate points. This level of detail still retains the concepts of relative scoring and provides a great deal of flexibility for different projects to compete on their own merits, but offers at least some guidance to project sponsors to evaluate how their application might be viewed.

Priority	Weight	Description
Need		
#1	30%	Population Served ♦ Incomes of households served ♦ Special needs of households served
#2	20%	Concrete Resident Outcomes/Connections to Related Systems ♦ Resident stability or positive housing mobility ♦ Further equity or social justice ♦ Family unification & child welfare ♦ Address homelessness ♦ Age in place ♦ Support re-entry/prevent recidivism ♦ Support recovery ♦ Support resident health
#3	20%	Community Context ♦ Community underserved compared to housing inventory ♦ Community underserved compared to recent OHCS investments ♦ Existing affordable supply at risk/older housing stock ♦ Extreme housing cost burdens ♦ Serving an un-served population in that community ♦ Lack of housing hampering other community needs (employment, neighborhood revitalization, etc.)
	70%	

Best Use of Funds		
#2	15%	Public Policy & Social Goals ♦ Linkages with broader public policy objectives ♦ Poverty de-concentration ♦ Equity/social justice ♦ Environmental sustainability
#3	10%	Cost Effectiveness ♦ Securing local or federal resources ♦ Attracting new sources of capital or operating funds ♦ Fees & cash flows retained for charitable purposes ♦ Life cycle cost efficiency ♦ Operating efficiency ♦ Design & construction efficiency
#4	5%	Innovation, Partnerships & Linkages ♦ Innovative in design, overcoming obstacles or solving community problems ♦ Builds or strengthens cross sector partnerships ♦ Timely response to an urgent or emerging need
	30%	