

## Housing Development Center and Oregon Housing and Community Services

### Streamlining Compliance Project

**Project Description:** HDC and OHCS are leading a process to reduce the public reporting and inspection costs for affordable housing owners by one-half. Compliance and inspection requirements are essential to assure that affordable housing serves the targeted populations, federal funding continues to flow to Oregon, and our affordable housing units are well maintained and an asset to the community. However, most projects receive funding from multiple public agencies, in addition to investors, foundations, and private lenders, each requiring their own set of reports and inspections.

Much of the data collected by public funders are duplicative; each jurisdiction has separate forms, timelines, and procedures, but often collects the same information. In Washington State, the various state and local public agencies have been working under inter-agency agreements to share compliance work for more than five years. Under these agreements, the participating agencies (Washington's Community Trade and Economic Development Department (CTED), Housing Finance Commission, City of Seattle, King County and many other cities and counties) have agreed to utilize a single financial and tenant occupancy report, and to coordinate their compliance responsibilities, such as one state agency completing physical property inspections while another reviews tenant files for income compliance. The manager of Washington's Trust Fund has graciously attended several forums with HDC, OHCS, and the City of Portland to describe Washington's program. More efficiency in Oregon's system is indeed practical and achievable.

Over the estimated yearlong planning effort, this work will include:

Activity	Timeline
Finalize project structure, agency participation, owner and manager representation, timeline, and outcomes.	Mid September – December, 2008
Issue RFP for a planning consultant to lead the Compliance Streamlining Project	Oct – November, 2008
Provide staff support to public agency workgroup to develop draft reporting formats and inter-agency agreements.	January 1 – June 30, 2009 (parallel to owner work below)
Coordinate participation and input from owner committee to assure that owners have meaningful and effective input and that interests of the broad range of owners and managers is represented (geographically, size of organizations, and for and non profit managers and owners).	January 1 – June 30, 2009 (parallel to agency work above)
Finalize areas of agreement for consolidated reporting and inter-agency compliance coordination. Obtain formal agency approvals and present final plan to public in an open meeting with owners and managers across Oregon.	July 1 – September 30, 2009

Streamlining compliance reporting for affordable housing in Oregon will reduce costs, freeing up dollars to meet other critical needs of affordable housing owners, such as reducing rents to residents, minimizing staff time to focus on long range planning for their properties, building capital reserves or funding important services for residents.

**The Need:** This project is an outgrowth of work of the Community Development Network's (CDN) Property and Asset Management Working Group (PAMWG), a best practices group with representatives from nineteen nonprofit affordable housing owners in Portland and Northwest Oregon. HDC has facilitated PAMWG for more than six years. During this past year, members of this group identified duplicative reporting as one of the key barriers to long-term sustainability of the affordable housing industry. In 2007, HDC conducted quantitative and qualitative research of PAMWG members and for-profit property managers of more than 20,000 affordable housing units across the state, to evaluate barriers to achieving financially stable operations. Owners and property managers documented average reporting and inspection costs of over \$400 per unit, per year, almost 10% of their total project operating costs.

Duplicative reports and onsite inspections utilize precious nonprofit staff time, raise property management costs charged by third party managers, and are a significant disturbance to residents of affordable housing, who must open their homes to inspectors four to six times a year. A 2006 study of 66,000 affordable housing units in the San

Francisco Bay area, completed by LISC, a national housing intermediary, found that the average annual compliance activities for properties with five or more funding sources requires 63 FTE hours per property, and an additional 2-30 FTE days of staff time to prepare for inspections. HDC and PAMWG's study validated these costs locally (LISC, 2006).

For a medium sized affordable housing owner with 500 units, the annual cost of compliance and reporting is just over \$200,000. Small and medium size owners (those with less than 600 units) consistently report higher per unit compliance and reporting costs, indicating external funder requirements impose a greater burden for smaller and startup organizations across the state. HDC estimates that a coordinated system such as Washington's, but with online reporting (Washington's current upgrade), could reduce affordable housing owners' compliance costs by one-half. More than one-half of the 25,000 units funded by OHCS (since 1987) receive funding from more than one agency. We estimate that a coordinated system could save \$2.5 to \$5 million dollars a year across Oregon. Public funders also see potential savings for their agencies, as they struggle to cover compliance costs on increasingly large portfolios with stagnant or reduced administrative budgets (see attached letters of support). These cost savings could provide the public dollars necessary to produce 25-50 additional units of affordable housing annually.

**Project Importance:** Across Oregon, housing prices in the private market have moved out of reach of ordinary Oregonians. The lack of affordable housing has a devastating effect on the individuals and families struggling to keep a roof over their heads and food on the table, but the whole community feels the effects. Affordable housing gives people the opportunity to build better lives.

In 2006, HDC, working with the Housing Authority of Portland (HAP) and CDN (together referred to as the Owners' Group) adopted a set of six recommendations to local and state public agencies. These recommendations outline areas critical to the long-term financial viability of the Owners' Group members' combined portfolio of more than 15,000 affordable housing units in Multnomah County. Reducing compliance costs was one of these six key recommendations. With reduced availability of private foundation dollars, increasingly large portfolios, aging properties, increased focus on the hardest to house residents, and a growing level of poverty in Oregon, it is critical that we take steps to maximize our effective and efficient use of every affordable housing dollar.

**Collaboration:** As the agency responsible for allocating 42% of the state's key federal affordable housing dollars (HOME, CDBG and others) and to most of the rural area in the state, OHCS is core to the success of this project. Equally important, though, is that OHCS provides federal Low Income Housing Tax Credits and state funding to many of the projects located in the balance of the state where local jurisdictions have responsibility for allocating HOME, CDBG, and other federal funds. These seven agencies, referred to as Housing and Urban Development (HUD) Participating Jurisdictions (PJs), include the City of Portland, Multnomah, Washington, and Clackamas Counties, and the cities of Eugene, Salem and Corvallis.

Other supporters include CDN, the Housing Authority of Clackamas County, and members of AOCDO. Two nonprofit organizations from outside the Metro area have already participated in an initial meeting held on Dec. 6, 2007 to discuss the goals, structure, potential membership, and next steps of this Project. Outcomes of this work will include a common report format and interagency agreements to coordinate components of their compliance work. The Metro Multifamily Housing Association, who actively participated in the initial PAWMG survey, is also interested in participating with the owners' representatives.

#### **Results and Follow-Up:**

- Six of the seven local Participating Jurisdictions and OHCS will have agreement on the format and composition of an electronic common report. The report (modeled after the college application concept of a "Common Application and Supplemental Questions") will represent at least 80% of the information required by the jurisdictions. It is anticipated that some local jurisdictions may require a small supplemental report, but that the information on supplemental reports will not duplicate the common report.
- Six of the seven local Participating Jurisdictions will have reached substantial agreement on areas of interagency coordination of compliance roles, such as agreements to combine inspections or delegate file reviews.
- The majority of the owners and managers who have participated in the Project will support the final common report format. (Participation will include either responding to surveys or participating in the owner committee.)

**Present plans for evaluating the effectiveness of the project:**

- A follow up written survey of owners and property managers involved in the project will indicate that the majority of respondents agree that the common report format is an improvement on current public agency requirements and will lead to reduced reporting costs.
- Six months after completion of the project HDC will interview each of the public agencies to determine that the agreed upon common report and compliance coordination steps have been implemented.

**Future Funding:**

The benefits of streamlining compliance reporting for affordable housing in Oregon will be lasting for nonprofit owners of affordable housing and low-income households; however, this is a one-time project and will not require future funding.