Housing Stability Council

MEETING MATERIALS PACKET

Woodwind Apartments
Albany, OR 97321

March 4, 2016
9:00 a.m. – 12:00 p.m.
Oregon Housing and Community Services
Conference Room 124 A&B
725 Summer St NE, Salem OR 97301

Oregon
Governor Kate Brown

Housing Stability Council
Oregon Housing and Community Services
725 Summer St. NE, Suite B
Salem OR 97301-1266
PHONE: 503-986-2000
FAX: 503-986-2020
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Council Members:
Aubre L. Dickson, Chair
Mayra Arreola
Tammy Baney
Michael C. Fieldman
Zee D. Koza
Marissa Madrigal
Adolph "Val" Valfre, Jr.

AGENDA

March 4, 2016 | 9:00 a.m. – 12:00 p.m.
Oregon Housing and Community Services, Room 124
725 Summer Street NE, Salem OR 97301
Call-In: 1-877-273-4202; Participant Code: 4978330

	TOPIC	ACTION	PAGE	MOTION
1.	**Meeting Called to Order** - Roll Call	Call Roll		
2.	**Public Comment**	Comment		
3.	**Draft Meeting Minutes** - February 5, 2016	Approval	1	
4.	**Residential Loan Program Consent Calendar – *Julie Cody,*** *Assistant Director, Housing Finance &* ***Kim Freeman****, Single Family Section Manager*	Approval	12	12
5.	**Home Ownership Workgroup / HOAP Allocation Recommendation Approval – *Kim Freeman****, Single Family Section Manager*	Approval	14	14
6.	**Multifamily Bond Approvals – *Heather Pate,*** *Multifamily Finance Section Manager* - ***Hill Park*** *– **Casey Baumann**, Loan Officer*	Approval	18	18
7.	**2016 QAP Approval – *Julie Cody,*** *Assistant Director, Housing Finance*	Approval	23	23
8.	**2016-2020 HUD Consolidated Plan – *Shoshanah Oppenheim,*** *Federal Planning & Policy Manager*	Approval	112	116
9.	**Oregon Homeownership Stabilization Initiative – *Betty Merrill,*** *OHSI Administrator*	Report / Discussion	117	-
10.	**HUD Contract Administration (HCA) §8 – *Claire Seguin,*** *Assistant Director, Housing Stabilization &* ***Rhonda Crawford****, Housing Stabilization Section Manager*	Report / Discussion	120	-
11.	**Asset Review and Rating System – *Ryan Miller****, Housing Finance Section Manager*	Report / Discussion	126	-
12.	**LIFT Program Update – *Julie Cody,*** *Assistant Director, Housing Finance*	Report / Discussion	141	-
13.	**Multifamily Gap Resources – *Julie Cody,*** *Assistant Director, Housing Finance*	Report / Discussion	159	-
14.	**Report of the Director**	Report		
15.	**Report of the Chair**	Report		
16.	**Meeting Adjourned**			

EQUAL HOUSING OPPORTUNITY

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February 5, 2016
Oregon Housing Stability Council Meeting Minutes

Chair Dickson called the meeting to order at 9:05 a.m. and asked for the roll call.

Roll was called and is reflected in the table below:

Council member	Present	Excused
Mayra Arreola	X	
Tammy Baney	*X	
Mike Fieldman	X	
Zee Koza		X
Marissa Madrigal	X	
Adolph "Val" Valfre	X	
Chair, Aubre Dickson	X	

**Councilmember Tammy Baney joined the meeting by phone.*

Public Comment:

Chair Dickson opened the meeting for public comment.

From the phone:

Mary McCullough (Acorn Park Community for Well-being) Ms. McCullough is still opposed to the project in her neighborhood. She expressed concern about how the project was approved through zoning changes by the city. She recounted second-hand conversations with others in her community.

Director Van Vliet reminded Ms. McCullough that the decision made by the Council is final and that there is no action the Council can take which would reverse the decision or stop the project from proceeding. There is no further action the Council will be taking on this matter.

Josephine Co (Acorn Park Community for Well-being) Ms. Co recounted her experience with the local planning commission office staff. She believes the process has not been transparent in regards to the Oaks project. She believes their voices were not heard and their signatures were ignored.

Director Van Vliet reminded Ms. Co that the decisions of the Council are final and the Council will not be taking any further action on this topic. The decisions Ms. Co is speaking about were made at the local government level and must be addressed with the local government.

From the floor:

Shannon Vilhauer (Habitat for Humanity of Oregon) Ms. Vilhauer expressed her thanks for working with Habitat for Humanity of Oregon to change their loan balance into grant funding. Thank you for your acknowledging their good use of the loan funding. Changing to a grant will allow them to continue their good work. Thank you for your vote of confidence.

DRAFT

Director Van Vliet offered further clarification: the decision Ms. Vilhauer mentioned was an administrative decision made by the Executive Team at OHCS. In March OHCS will brief the Council on the full range of Single Family programs, recent activities and upcoming items.

Anna Geller (Geller, Silvis & Associates) Ms. Geller shared her appreciation for the changes in the Agency and the overall effectiveness of the Agency and the Council in the last 3 years. She expressed her concerns about some of the items which will be considered by the workgroups currently being formed. Ms. Geller wanted to emphasize the importance of having representatives from diverse voices to ensure all concerns are heard.

Councilmember Baney joined the meeting in person at 9:25 a.m.

Chair Dickson asked for further comments from the room, receiving none he closed the public comment period of the meeting.

Draft meeting minutes for approval:

The meeting minutes from the January 8, 2016 meeting were distributed to Council members prior to the January 8, 2016 meeting and edits received were incorporated into the document presented to the Council for approval today. Chair Dickson asked Council members for any questions or additional edits. Receiving none, Chair Dickson then called for a motion to approve the meeting minutes. Councilmember Valfre made the motion and Councilmember Madrigal seconded the motion. Chair Dickson then called for a vote.

December 11, 2015 Meeting Minutes:

Council member	Motion	Yes	Nay	Abstain	Absent
Mayra Arreola		X			
Tammy Baney		X			
Mike Fieldman		X			
Zee Koza					X
Marissa Madrigal	2nd	X			
Adolph "Val" Valfre	X	X			
Chair, Aubre Dickson		X			

Vote: 6:0:0:1 | PASS

Residential Loan Program Consent Calendar – *Julie Cody,* *Assistant Director, Housing Finance* & **Lisa Nunnellee**, *Single Family Section, Residential Loan Specialist*

Ms. Nunnellee provided a brief description of the specific loans on the consent calendar and asked for any questions. Receiving none, Chair Dickson then called for the motion.

The motion to approve the Residential Loan consent calendar was made by Councilmember Fieldman and seconded by Councilmember Valfre. Chair Dickson then called for a vote on the motion.

Council member	Motion	Yes	Nay	Abstain	Absent
Mayra Arreola		X			
Tammy Baney		X			
Mike Fieldman	X	X			
Zee Koza					X
Marissa Madrigal		X			
Adolph "Val" Valfre	2nd	X			
Chair, Aubre Dickson		X			

Vote: 6:0:0:1 | PASS

LIFT Program Design Draft Recommendations – *Julie Cody*, *Assistant Director, Housing Finance*

Director Van Vliet invited Councilmember Arreola to provide an overview of some survey and data collection information which United Way of the Columbia Willamette (UW) collected. Councilmember Arreola gave a high-level overview of the survey and data collection done by UW. The survey and data collection was shared with the LIFT Subcommittees as well.

Councilmember Fieldman asked if there was a finding that really jumped out during the data collection.

Councilmember Arreola said there were three things which stood out from the data collection.

1. If the goal of LIFT is to have 50% of the funds serve communities of color, then there needs to be representation throughout the process, including application and program design, application review, and approval..
2. The importance of partnerships between culturally specific organizations, housing developers, and property managers to elevate the importance of the environment in which the families are served.
3. Having an equity lens as an agency is important as well. How do we start at the beginning and not at the end?

Director Van Vliet acknowledged that state government has a lot of work to do to be culturally competent; to have our communication and outreach invite diverse communities to the table. The partnership with United Way and with Councilmember Arreola's leadership could help us set a model for how we use the existing expertise to complement what we do.

Councilmember Baney commented on how well some components align with the local approach in her community. Councilmember Madrigal expressed concern that we also continue to work toward partnering with culturally specific organizations, developers, etc. in our other projects as well. Councilmember Valfre believes the work done by UW lines up well with what the Housing Stability Council is attempting to do as well for communities of color. Chair Dickson expressed his thanks for the report and for Councilmember Arreola's leadership in this good work.

Chair Dickson then invited Julie Cody to the podium to provide an update on the LIFT Framework. Ms. Cody provided an overview of the LIFT Project and the draft program design recommendations to the Council, as well as the process through the 2016 Legislative Session. Please reference the presentation by clicking here.

At the conclusion of Ms. Cody's presentation, Director Van Vliet made a suggestion about the process for discussion of the LIFT recommendations.

1. Ask any clarifying questions.
2. Invite testimony from those who wish to give it.
3. Deliberate and think about path forward for the LIFT recommendations.

Councilmember Madrigal asked a question about the "ownership structure" (page 11). What is the cost of ownership for the state and how will the expense be covered when it is not covered by the $40M?

A: Ms. Cody noted that OHCS will hire experienced third-party property management firms to manage the day-to-day operations of the project, including screening tenants, leasing units, and other management tasks. OHCS may charge a small fee to cover the asset management expense incurred by the agency for each project.

Councilmember Fieldman asked a question about "cost containment" (page 15). He noted there is complexity within the criteria. Has there been any thought to standardization for the LIFT process to avoid reinventing legal agreements and other documents for each project?

A: Ms. Cody responded: Yes, the plan is to have a standardized process.

Councilmember Baney asked for some examples of what development will look like from the rural perspective? She noted that there is difficulty with getting projects to work, and asked what the issue is in rural Oregon, whether is it funding, capacity or something else?

A: Ms. Cody responded that OHCS has been looking at the issues in the various rural areas across the state and what the barriers might be for those areas and how best to serve each region/area. OHCS is open to considering small projects from as few as 5 units, to a manufactured community, to tiny homes, to a cottage type lay-outs, or smaller units, or scattered sites in one community. She noted these options depend on land availability.

Councilmember Baney then asked if OHCS would be able to offer technical assistance to the rural communities.

A: Ms. Cody responded that OHCS is working on refining and improving their communication plan and OHCS is also planning a "road-show" for those smaller communities. The overall hope and goal is that the process will be easier than using tax credits.

Councilmember Fieldman asked OHCS to make this process easy so that it is not so daunting to those who are considering applying. We don't want to throw a party and not have anybody come.

Will there be enough applicants? What are you hearing on the street?

A: Ms. Cody responded that we have heard from some developerswho are interested. Through the outreach and communication plan OHCS believes we will see interest in the program.

Councilmember Valfre asked: Will OHCS do anything different in reaching out to DHS partners?

A: Ms. Cody responded that we are planning to partner with DHS and their regional directors and how best to reach out.

Chair Dickson opened up the meeting for public comment on the LIFT recommendations.

Shelley Cullen, Chrisman Development asked: How does a rural project succeed with a $32,000 per unit cap? How do you finance these projects?

Councilmember Fieldman responded with: I think this is a good question. He has some of the same concerns about the $32,000 per unit limit for rural communities.

Christina Kuo, *US Green Building Council* – Ms. Kuo provided the Council with an overview of her organization. Ms. Kuo outlined her organizations recommendations for the LIFT Program. USGBC offered to be a partner in the process and assist OHCS with the LIFT Program. To view the USGBC testimony click here. To view the USGBC policy briefs click here.

Shannon Vilhauer, *Habitat for Humanity of Oregon* – Ms. Vilhauer expressed her appreciation for the work with OHCS has done on the LIFT policy and funding models. She also noted that when one looks at the funding parameters and goals for the LIFT Program it seems to be describing Habitat for Humanity. Habitat for Humanity would like to be at the table and apply for LIFT funds to provide homeownership opportunities through the program.

Anna Geller (Geller, Silvis & Associates) – Ms. Geller served on the LIFT Financial Structuring subcommittee. She believes an important component to consider when implementing the LIFT

Program is actively working toward economic integration rather than economic segregation. She asked how do we reach out to and provide housing to communities of color without creating segregated housing and possibly violating the Fair Housing Act?

Director Van Vliet then provided the Council members with a process reminder for this agenda topic. OHCS would like the Council to talk about, discuss, make suggestions, etc. on the proposal. Today OHCS would like to know from the Council if they think the framework proposal is close, it needs more work, or where you are with the LIFT Program design that has been presented to you.
We will be sharing the LIFT framework with the Legislature in the next few weeks.

Council Discussion and Q&A about the LIFT program framework:

Councilmember Fieldman asked: What happens at the end of the 20-year term, which is the length of the bonds, what is the state's interest then in the property? Who is the owner then?

A: Ms. Cody answered that the department is anticipating that the state would exit the partnership or ownership structure at the end of the 20-year term and the state would then determine whether to reinvest the equity in order to extend affordability on the property, or another options.

Councilmember Fieldman then asked: What are the restrictions is there a possibility to look at home-ownership as an option?

A: Ms. Cody answered that we did address this topic in the Policy Subcommittee. To address the possibility of using the bonds for home-ownership there is some work still left to do to address this idea. OHCS plans to address the ownership structure and the use of the XI Q bonds in future iterations of the LIFT program, should they exist.

Councilmember Baney added that OHCS could potentially leverage the work which has been done by Habitat for Humanity and land trust organizations as a model for the LIFT program.

Councilmember Valfre added that there is a need to investigate the idea of a home-ownership model further. Councilmember Valfre also asked about the resources to administer the LIFT program.

A: Ms. Cody answered that this type of money does not come with a lot of other requirements, however if we combine it with other programs that would trigger more requirements.

Director Van Vliet added that OHCS has been encouraged to place a cap on the funds ($32,000 per unit). The $32,000 number OHCS landed on is a stretch for our traditional developers, but we know there are other developers out there who are producing affordable housing units with minimal to no subsidy right now and we want to invite them to participate in the LIFT program.

Councilmember Fieldman suggested that OHCS may want to build in some flexibility to the process and criteria.

Councilmember Madrigal asked what model did you use to reach the $32,000 number? Can you please provide us with the specific modeling so that we can see the numbers ourselves? Chair Dickson also asked to see the model as well.

Chair Dickson also said he believed they all recognize that $40 million is not a lot of money. It will take some creativity to meet the LIFT challenge.

Ms. Cody added that there were Public Housing Authority members on the subcommittees and OHCS is working to leverage practices from the private sector. OHCS will be testing the waters. She is hoping applicants are willing to get creative.

Councilmember Fieldman asked if using the Article XI-Q Bonds the best choice? In your perfect world is there a better bond?

A: Ms. Cody responded that we want to figure it out and use it to the fullest potential. OHCS plans to track the plusses and minuses. She hopes the program proves the Article XI-Q Bonds are a good source of funds.

Councilmember Baney – At the end of the day what will success look like? What are we using to measure success for this program? What is our target?

A: Ms. Cody responded that the outcome measures will tell the story. With the help of DHS, OHCS has established some outcomes which will help to measure the success of the program. Ms. Cody and her team will be looking at other models and tools for funding housing in Oregon. Having 1250 units on the ground in 24 months would be a huge success. Staff will also need to do outreach and marketing of the program, including thoughtful thinking about outreach to underserved communities in Oregon; having partnerships come together on the front end of the process to assist underserved communities.

Anna Geller noted, as a member of the Financial Structuring subcommittee that we have support for this program outside of the housing industry from the private sector. The LIFT program is driven more by our colleagues outside of housing. Can we use their expertise with housing as a tool to make an impact? To win, we have to go out and talk to people we have never talked to before. It is important to consider where this current movement has come from.

Councilmember Fieldman observed a technical issue which may cause a real barrier in rural communities: Communities must be under 25,000 in size. We may need to look at adjusting community population criteria. Some very small rural communities do not have any services or jobs, and it would be a mistake to build housing without access to services, transit, or jobs.

Director Van Vliet offered to have OHCS explore the population criteria and how we can serve the rural areas effectively.

Councilmember Baney – how did we arrive at the 25,000 population number?

A: Ms. Cody responded – The number was provided to us by the Governor's office.

Chair Dickson asked for any additional comments, questions or suggestions. Director Van Vliet asked if we actually need a vote or if we are better served to have the Council ask additional clarifying questions and call out areas the Council would like OHCS to provide more detail or explore further.

A: Ms. Cody responded – does the Council still have open questions? Are there areas the Council wants OHCS to explore further?

Councilmember Fieldman – what is the process from here with the Legislature? What is the focus of the bill?

A: Ms. Cody responded – we have a bill going through the Legislative process and the focus is the LIFT framework. OHCS will most likely be asked to testify before several committees about the specifics of the LIFT program.

Councilmember Fieldman asked: what is the time-frame for the committee hearings?

A: Ms. McIntosh responded that there wouldn't be any hearings on the program design in the next few days but that it would be expected before the session ends on March 6.

Councilmember Fieldman – in general I think the LIFT framework is in the right direction. Some of the specifics need work. Over all concern is that we don't want to throw a party and not have anyone come.

Councilmember Baney asked: Can we give general direction about the LIFT program rather than putting a fork-in-it and getting out ahead of the Legislature. I would be willing to support the framework in general with the ability to provide refinement if necessary.

Councilmember Valfre: will the LIFT framework come back to the Council after the session?

A: Ms. Cody said yes we will bring the LIFT framework back to the Council.

Chair Dickson asked: Will part of the work to refine the framework take into consideration suggestions given through verbal and written comments?

A: Ms. Cody responded that the framework itself is pretty general. What Ms. Cody is looking for from the Council is:

1. Generally is the LIFT framework on track?
2. Are there specific things (i.e. the population criteria, per unit subsidy) that the Council wants to look at to make changes to the framework, so Ms. Cody and her team can focus their efforts on specific areas for refinement?

Chair Dickson requested the model OHCS used to arrive at the $32,000 per unit subsidy.

Councilmember Fieldman suggested building in flexibility in the model may be something to consider.

Councilmember Baney recommended working directly with Habitat for Humanity to explore alternative models (home-ownership) to use as part of the framework.

Councilmember Fieldman commented that considering home-ownership may be a good discussion point to consider when talking about "true housing stability" for families. Councilmember Madrigal commented it is important to drill down on the definition of a culturally specific organization and a culturally responsive organization. It is important that we ensure all of our operators are culturally responsive including the culturally specific operators because every building will be multi-cultural. We need the expertise of both. Culturally specific providers can help eliminate specific barriers and create safety and belonging for anyone who comes into the development. Councilmember Madrigal has material she can share with OHCS.

Chair Dickson noted the intent is not to segregate but be culturally responsive. We want to be inclusive and to assist the most vulnerable in our communities.

Councilmember Baney asked whether it make sense for some of the documentation in the LIFT framework to highlight Culturally Responsive and Culturally Specific more so that it does not become a question, making it explicit rather than implied.

Councilmember Arreola noted that to her, the LIFT presentation was more a briefing on where things are going, not looking at the details. Once we agree on where we are going, then we can begin to look at the details and possibly work with new partners. We have a huge opportunity to use the work of the LIFT program to influence the workings of the agency in the future, working and collaborating with other agencies and groups.

Ms. Cody responded – I believe I have what I need from the Council to go and further refine the LIFT framework.

Chair Dickson then asked if we needed to have a motion and vote.

Ms. Cody – we do not need to have a motion.

Ms. Cody also addressed the postponement of the "Current and Future Multifamily Gap Resources" topic to next month. She and her team will provide a report to the Council at the March 4 meeting.

2016 Legislative Short Session – *Rem Nivens,* *Assistant Director, Public Affairs and* ***Alison McIntosh****, Government Relations and Communications Liaison*

Rem Nivens provided an update on the 2016 Session:

We are now in day 5 of the session today.

The main bill for OHCS is SB1582 which is the LIFT program parameters, and it is a Governor's priority bill. It is the agency's main focus during the session. We are required to be neutral on all legislation unless otherwise directed by the Governor's office.

Councilmember Fieldman offered he was been part of a group that met with the Senate President Courtney regarding rural housing concerns. As a result of the meeting of this group, President Courtney has a better understanding of housing concerns across the state, not just in Portland.

The opportunity around Housing is tremendous right now.

Ms. McIntosh provided an overview of the other bills OHCS is watching.

SB 1582 (LIFT Program): Ms. McIntosh provided a one-page high-level summary for reference by the Council.

Ms. McIntosh also highlighted the other bills OHCS is tracking related to housing.

Themes:

- Landlord/Tenant law & Tenant protections
  - Increasing the notice period for rent increases from 30 to 90 days
  - Increasing the notice period for no-cause evictions on a two-tiered system
  - Change in retaliation statutes (landlord prove they are not retaliation rather than tenant proving they are retaliating)
- Land use system changes
- Lifting the preemption on inclusionary zoning
- Increase of funding for the Emergency Housing Account, State Homeless Assistance Program, more bonding for preservation of affordable housing.
- Capital gains exemption
- Increase to Document Recording Fee
- Mortgage loan fund (sponsored by Habitat for Humanity)
- Property tax exemption for affordable housing
- Pilot program for General Assistance, for very low income disabled adults

Councilmember Fieldman asked – what is the bill number for property tax exemption legislation?

A: Ms. McIntosh – the bill number is: HB 4081.

Councilmember Madrigal asked – Does the capital gains legislation address the event when an owner sells to a non-profit?

A: It also addresses the sale to a public housing authority.

Director Van Vliet informed the Council that if any of the bills Alison highlighted were to pass it could mean more work for the agency. It could mean we get more money to administer or OHCS may just get additional monitoring duties. We are watching the legislation to make sure OHCS is prepared for any changes which come from the passage of the legislation.

Chair Dickson thanked Mr. Nivens and Ms. McIntosh for their reports. He looks forward to future reports on the short session and legislation.

The Council asked to be informed of when OHCS was asked to testify in committee.

Councilmember Madrigal asked – is there a process by which the Council can offer support of particular legislation?

A: The Council can write a letter which can then be submitted into the public record. If that is something the Council is thinking about doing, then OHCS could help with that.

Councilmember Madrigal thought if the Council could reach a consensus then a letter might be appropriate. I would like to help with that.

Councilmember Baney – we would be well served to support the Governor's bill.

Director Van Vliet – do you want someone to draft that for you?

Councilmember Baney – yes that would be great. I would like to offer a motion to write a letter in support of the SB 1582, Councilmember Fieldman seconded. Chair Dickson asked all in favor to say Aye. Voting in favor of the motion: Ms. Baney, Mr. Fieldman, Ms. Madrigal, Mr. Valfre and Chair Dickson. Absent and not casting votes: Ms. Arreola and Ms. Koza. The motion passed.

OHCS will draft a letter and circulate for approval and signature by the Council members.

Director Van Vliet offered to send the list of bills with numbers and links in OLIS to the Council members. This will allow the Council members to get updates on bill status.

Councilmember Fieldman suggested it would be a good idea to discuss the process for addressing legislation in the future. Do we set aside a portion of the agenda during session for updates? Do we create a legislative subcommittee during session?

Councilmember Madrigal is interested in drafting a letter in support of increasing the tenant notice period for no-cause evictions. She believes this is a key piece of legislation.

Councilmember Baney agreed in theory and concept to increasing the tenant notice period for no-cause evictions as well.

Councilmember Valfre asked for a clarification. How does the notice for rent increases work?

A: *Ms. McIntosh* responded. Her recollection is that fixed-term leases already offer protection from rent increases. But if you have a month-to-month lease you are not protected from rent increases. The bill addresses those renters who are under other lease agreements during the first year. As a point of clarification all of the tenant protections are included in two bills which mirror each other.

Director Van Vliet offered to gather more information about the bill and its provisions and then circle back to the Council with more details.

Councilmember Fieldman offered that as a body the Council can support certain concepts within a bill without supporting the entire bill.

Report from Director Van Vliet

Updates to the Council:

OHCS held the public hearing on the QAP on Tuesday, February 2 and nobody showed up to give testimony. OHCS has received some written comments. We believe we have hit the right balance in the latest version of the QAP based on the feedback received to date. The comment period ends on February 11. We will bring then bring the 2016 QAP to the Council for formal approval in March and then it will go on to the Governor for signature and then to US Treasury.

OHCS will be assisting the Governor's office in forming a steering committee to help with the Homeless Convening to address state-wide strategies on housing and homelessness. The steering committee will be meeting in a few weeks to begin the planning process.

Councilmember Fieldman wanted to encourage that the steering committee have someone with the rural perspective as a participant on the steering committee. He believes this is a viewpoint which needs to be represented.

OHCS leadership participated in the Manufactured Housing Convening in Portland on January 29. The OHCS leadership was also privileged to take a tour of the Palm Harbor factory.

We are out in Oregon communities:

- ✓ Actively involved with a group in Springfield addressing issues with manufactured home parks (Oregon Solutions Project).
- ✓ Helped to convene a forum in Albany on Healthy Communities. Social determinants of health. In partnership with OHA and community health organizations.
- ✓ Workforce housing forum in Waldport – attended and spoke at this event
- ✓ Metro-area Equitable Housing Summit in Portland
- ✓ Affordable Housing Tax Credit Coalition conference in Texas – Margaret spoke Intersection of affordable housing and the QAP
- ✓ Ground Breaking at the NAYA Generations project

We will be in front of the Ways & Means subcommittee next week. We will be presenting on our Key Performance Measures (redesign and update) and we will present on the potential future of Oregon Volunteers (AmeriCorps program administration).

Hardest Hit fund – we are still on stand-by, waiting to hear from the US Treasury.

Agenda projection:

- ♦ We will continue to provide program briefings to deepen your knowledge.
- ♦ A budget process schedule update will be coming soon.
- ♦ Planning retreat once we have the two new members join the Council.
- ♦ May 6th meeting will be in Bend at Discovery Lodge. The Council has been invited to a Ribbon Cutting ceremony in Prineville on May 5th. OHCS is working on the logistics and we will update you as we get closer to the date.

Councilmember Valfre: When will the multifamily NOFA (Multifamily Housing tax credits) go out?

A: Ms. Cody: if everything goes according to plan in March, the NOFA will be issued in May.

Chair Dickson asked about the subcommittees Ms. Cody plans to form the two subcommittees.

A: Ms. Cody: we are working now to populate the two new subcommittees and our next step is to draft the charter for each. We plan to hold the first meetings at the end of May.

Report from Chair Dickson

There is a lot of focus on Housing right now from many different quarters. There are good things happening with Meyer, the City of Portland, Metro, the County (Multnomah).

There is a lot of excitement, energy and innovation around housing. It is nice to be at the table during this exciting time. I am looking forward to being a part of the process.

Councilmember Fieldman asked: Is there any way the Housing Stability Council can inform the selection process for the additional council members who will be named in May?

Chair Dickson has informally polled the current Council members about current issues and several members have expressed a desire to have the Governor come and speak to the Council. We want to be clear on the Governor's ideas, vision and goals for the Council. What does the Governor think the role of the Council should be? Who is she looking at to fill the vacancies?

Director Van Vliet has offered to have Chair Dickson and Director Van Vliet meet with Dani Ledezma to put the questions above to her and get her take on having the Governor come to a future Council meeting.

Chair Dickson adjourned the meeting at 11:56a.m.

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Governor Kate Brown

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Date: 2/18/2016

To: Housing Stability Council

From: Kim Freeman, Single Family Section Manager

Re: Residential Loan Program

Recommended Motion: **Housing Stability Council approves the Consent Calendar**

Background: State statutes require the Housing Stability Council to establish a single family loan threshold for loans to be review and approved prior to purchase. The current threshold for single family loans includes all loans equal to or greater than 75% of the applicable area program purchase price limit, or $190,000, whichever is greater.

Considerations:

1. The loan(s) under consideration is greater than or equal to 75% of the applicable area program purchase or $190,000, whichever is greater.

2. Staff has reviewed all of the following loan files and concluded that the borrowers and properties meet all relevant program guidelines for the Residential Loan Program. All required documents have been properly executed, received, and the loans have been approved for purchase. In addition to being approved by staff, the loan files have been underwritten by the applicable lenders and are insured by either FHA (FB), Rural Development (RG), or Uninsured (U) with a loan-to-value of 80% or less.

	Loan Amount	Purchase Price Limit	75% of Purchase Price Limit or Max	Monthly Mortgage Payment
Loan #1	$204,626.00	$258,690.00 Non-Targeted Marion County	$194,017.50	$1,231.51
Loan #2	$201,286.00	$258,690.00 Non-Targeted Lane County	$194,017.50	$1,316.26

Data Classification: 3

1	Borrower			Lender	HOMESTREET BANK		
	Co-Borrower			Purchase Price	198,999.00	Note Amount	204,626.00
Property Address	12000 BLOCK REES ST NE			Cost Limit	258,690.00	Principal Balance	$ 204,626
	DONALD	OR	97020	Appr. Value	$ 206,000		
				Year Built	2003		
Hshld. Income	$ 73,129			Living Area (Sq. Ft.)	1,409	Loan-to-Value	102%
Income Limit	$ 75,354			Lot Size (Sq. Ft.)	5,649	Insurance Type	RG
% of Income Limit	97.05%			Cost per Sq. Ft.	$ 141.23	Rate	3.750%
Prior Ownership Yes (Y) or No (N)		N		New (N) or Existing (E)	E		
				Construction Style	One Story		

2	Borrower			Lender	BANNER BANK		
	Co-Borrower			Purchase Price	205,000.00	Note Amount	201,286.00
Property Address	400 BLOCK HERITAGE AVE			Cost Limit	258,690.00	Principal Balance	$ 201,286
	EUGENE	OR	97404	Appr. Value	$ 205,000		
				Year Built	1965		
Hshld. Income	$ 54,639			Living Area (Sq. Ft.)	880	Loan-to-Value	97%
Income Limit	$ 75,492			Lot Size (Sq. Ft.)	9,292	Insurance Type	FB
% of Income Limit	72.38%			Cost per Sq. Ft.	$ 232.95	Rate	3.750%
Prior Ownership Yes (Y) or No (N)		N		New (N) or Existing (E)	E		
				Construction Style	Two Story		

Data Classification: 3

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March 4, 2016

To: Housing Stability Council

Margaret S. Van Vliet, Director

From: Kim Freeman, Single Family Manager

Re: Homeownership Assistance Program Distribution of Funds

Motion: Recommend approval to eliminate the Innovation activity and split funds equally between Homeownership Centers and Down Payment Assistance activities.

Background

Over the past year an Ad-Hoc Homeownership Workgroup has convened to address key questions regarding the OHCS homeownership grant programs. Among the topics addressed by the workgroup has been the use of the Document Recording Fee (DRF) to support homeownership programs.

Members of the Ad Hoc Homeownership Workgroup:

- Moderator - Jim Moorefield, Willamette Neighborhood Housing
- Brigetta Olson, Willamette Neighborhood Housing
- Carlos Garcia, Hacienda CDC
- Cheryl Roberts, African American Alliance for Homeownership
- Diane Linn, Proud Ground
- Karen Saxe, NEDCO
- Loretta Kelly, Native American Family and Youth Center
- Lynne McConnell, NeighborImpact
- Olympia Church, NW Umpqua
- Sarah Forsythe-Insley, Portland Housing Center
- Shannon Vilhauer, Habitat for Humanity Oregon
- Kim Freeman, OHCS
- Natasha Detweiler, OHCS

The Homeownership Assistance Program (HOAP) currently receives 14% of the DRF; these HOAP funds are currently distributed to the following activities:

- Homeownership Centers (41.40%);
- Down Payment Assistance (33.3%);
- Innovation (12.6%);
- Training (2.7%); and
- OHCS Administration (10%).

The Homeownership Assistance Program (HOAP) purpose is to expand the state's supply of homeownership housing for low and very low income families and individuals, including by not limited to, persons over 65 years of age, persons with disabilities, minorities, veterans and farmworkers. Among the priorities identified in the ORS 458.655 is to bridge the minority homeownership gap.

Homeownership Centers – The funding for the Homeownership Centers has been awarded on a biennial basis originally through a competitive process that strives to ensure coverage in all counties. We currently have 17 homeownership centers throughout the state. We currently have a Request for Proposal open for three counties (Lincoln, Malheur and Harney) that are currently not serviced by one of our current homeownership centers. The homeownership centers provide valuable resources to the communities they serve.

Down Payment Assistance – The funding for Down Payment Assistance has been awarded on a biennial basis through a competitive process with our partners throughout the state. We currently have 14 agencies providing down payment assistance in 23 counties. Each eligible homeowner must meet the program requirements of the agency, successfully complete a Homebuyer Education course, receive financial coaching, and meet the income requirements of 80% or below area median income.

Innovation - The funding of Innovation projects or ideas was instituted in 2009. Prior to that, 12.6% of the HOAP funds were allocated to requests based on Director's discretion. Historically annual Innovation funding has been roughly $150,000 since the inception of HOAP. Recent funding has been awarded on a competitive basis through a request for proposals process. The types of projects funded through Innovation have ranged from assisting seniors to remain in their home to age in place in a safe and healthy environment to removing the barriers to replace old mobile homes with energy efficient manufactured homes. The projects funded through the HOAP Innovation were not to include on-going staff or program expenses given the funds were being awarded on a one-time basis. The purpose was to pilot a program that could then be a proven concept that could obtain other funding to continue the program.

Training – The funding for Training and Technical Assistance is provided through our partner Oregon Opportunity Network through a competitive request for proposal process. Oregon Opportunity Network in collaboration with OHCS works with our homeownership centers to ensure the Training and Technical Assistance needs of our housing counselors and agency staff is met on an annual basis. We work closely with Oregon Opportunity Network in the planning for their two annual Industry Conferences.

OHCS Administration – OHCS has one program analyst assigned to administer the grants that currently receive funding from HOAP. There is additional assistance provided by the Single Family Administrative Assistant along with the Section manager.

Recommendation

After much discussion and deliberation, the workgroup made a unanimous recommendation to OHCS with respect to how HOAP funds are distributed between activities. In alignment with the desires of the workgroup, OHCS staff recommends the following change to the percentages and activities that are currently funded with HOAP: Eliminate the Innovation activity and split the funds equally between Homeownership Centers and Down Payment Assistance activities.

The following is the result of the change to the distribution of HOAP resources:

- Homeownership Centers (41.4% + 6.3% = 47.7%)
- Down Payment Assistance (33.3% + 6.3% = 39.6%)
- Training (2.7%)
- OHCS Administration (10%)

While innovation is important, this recommendation is being made taking into consideration the limited resources and proven difficulty creating a sustainable program with lasting impact from one-time funding. The workgroup and staff believe that in order to best do the work of furthering access to and education about homeownership, as well as addressing the minority homeownership gap, investment in operational support of Housing Centers and investment in Down Payment Assistance for new homebuyers is critical.

This change in distribution of HOAP resources approximately $300,000 per biennium will have the potential to assist an additional 10 families/individuals with down payment assistance and will assist our homeownership centers to continue to provide the services listed below.

Toward that end, the workgroup also agreed upon a single definition of what it means to be a Homeownership Center, which includes the following standardized offerings:

1. Pre-Purchase Homebuyer Education
2. Financial Coaching & Pre-Purchase Homebuyer Counseling
3. Financial Literacy Education
4. Homeowners Produced

Also, as you are aware, Council took action on June 5, 2015 to increase the maximum amount of down payment assistance from $5,000 to $15,000 based on the changes to homeownership mortgage lending and the recovery of housing prices in a number of communities throughout Oregon.

Based on all of the rationale above, staff recommends approving the motion articulated at the top of this memo.

Next Steps

Staff is working to finalize a recommendation regarding the allocation methodology for future funding of Homeownership Centers. This was a major focus of the Homeownership Ad Hoc Workgroup's original scope of work. Though the workgroup did not come to consensus on a formula, a great deal of work has been done to provide input to staff to come up with a final recommendation that will come to the Housing Stability Council in the next few months.

In an effort to standardize reporting and performance, a data subcommittee has been established to develop and test standard forms. It is anticipated that the new reporting standards will be implemented beginning July 1, 2016.

With the new reporting and performance data we will work with our partners along with the methodology for funding to ensure we are working towards performance based contracting in 2017.

Future funding allocation methodology will include formula factors based on need, and a focus on addressing the minority homeownership gap:

- Percent of State's 50-80% renters
- Minority Homeownership gap
- Percent of State's minority renters

This will complete the workgroups scope of work. Stakeholders and staff have found that having the space to discuss homeownership issues and ideas has been very beneficial; therefore it has been decided to retain the workgroup to talk through issues and opportunities on a quarterly basis.

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Memorandum

To: Oregon State Housing Stability Council

From: Casey Baumann, Loan Officer; Heather Pate, Multifamily Housing Finance Section Manager

Date: March 4, 2016

Re: Hill Park Apartments, Conduit Bond funding request

BOND RECOMMENDED MOTION: Move to approve Pass-Through Revenue Bond Financing in an amount up to and not to exceed $6,500,000 to 1st and Arthur Limited Partnership for the construction of Hill Park Apartments, subject to the borrower meeting OHCS and US Bank's underwriting and closing criteria, documentation satisfactory to legal counsel and Treasurer approval of the bond sale.

SUMMARY:

Project Sponsor Central City Concern

Project Consultant Gerding Edlin

Property Hill Park Apartments
110 SW Arthur Street
Portland, OR 97201

Owner 1st and Arthur Limited Partnership

Description Hill Park Apartments is a proposed 39 unit, 3 story apartment building to be located in Portland at 110 SW Arthur Street.

Tax-exempt Bond Request $6,500,000 in long and short term pass through revenue bonds

Affordability

Funding Source	#of Units	Year 1-30	Year 31-60
Bonds/4% LIHTC	39	60% AMI	N/A
LIWX	39	80% AMI	80% AMI

Target Population Serious Mental Illness and Workforce Housing

Environmental Review The Phase I and Phase II reports have been reviewed and found acceptable. Please see "Risks and Mitigating Factors" for further information

Finance Committee Approval February 16, 2016

FINANCING STRUCTURE:

Construction Lender US Bank Community Development Corporation

Permanent Lender US Bank Community Development Corporation

Equity Investor US Bank Community Development Corporation

General Contractor Colas Construction

Project Financing

Sources			Uses	
Tax Exempt Bonds (Long Term)	$1,000,000			
Tax Exempt Bonds (Short Term)	$5,500,000		Acquisition	$1,247,583
Short Term Use of Bonds	*($5,500,000)*		Construction	$6,478,756
4% LIHTC Equity	$2,955,825		Development	$3,113,160
Low Income Weatherization	$57,604			
Non-OHCS Sources:				
OHA Health Systems Division Housing Development Award	$2,080,000			
Providence Solar Grant	$50,000			
PHB CDBG	$3,200,000			
PHB SDC Waivers	$499,930			
Chevron Reimbursement	$399,500			
ETO Incentives	$21,640			
Sponsor Cash	$200,000			
Deferred Developer Fee	$375,000			

TOTALS: $10,839,499

Bond Structure

The total tax-exempt conduit bond amount is $6,500,000. Of which, $5,500,000 will be short-term, used for the construction of the project. The remaining $1,000,000 will remain as long-term debt. US Bank will be the purchaser of the bonds.

Scope of Work (construction)

Hill Park Apartments will be slab-on-grade construction with a geopier foundation and a wood frame. Exterior skin will be primarily brick masonry with metal panel accents. The ground level will include a lobby with a small seating area, two private offices for property management and resident services, a common laundry room, and a bike storage room. The main entrance will be along SW 1st Avenue, with a secondary entrance to the lobby off the parking area to the south. There will be a small patio area off of the rear entrance for resident use.

There will be 17 studio and 22 one-bedroom units, totaling 19,109 square feet of residential unit area. All units will include range/ovens, refrigerators, dishwashers, ceiling fans, and individual unit ventilation. Flooring will be carpet and sheet vinyl. There are 7,820 square feet of common areas bringing the total building area to 26,929 square feet.

Per unit cost of total construction is $166,122 ($240 per square foot)

Developer Fee
Total Developer fee: $950,000; 9.74% Maximum allowable fee: $1,462,425; 15%
Deferred Developer fee: $375,000; repayment projected within 9 years
Cash Developer fee: $575,000

Tenant Relocation
Not Applicable- This is a New Construction project.

Operating Budget
Per IRC Section 42, the Sources, Uses and Operating Budget for this project have been reviewed. It has been determined that the Project is feasible and should remain financially viable for the tax credit affordability period.

Affordability Restrictions:

Unit Type	Number of Units	Percent Median Income as Adjusted for Family Size Will Not Exceed	Rents Not to Exceed the Following Percent of Median Income Described in the Most Current Table of LIHTC Program Rents Determined by OHCS
Studio-PBV	4	30%	30%
Studio	13	60%	60%
1BR	22	60%	60%

Annual Operating Expenses: $5,394 per unit
The annual operating expenses are above the range within OHCS guidelines, however we deemed these expenses to be reasonable due to:

- The target population and the services provided require higher expenses.
- The projected operating expenses are supported by a third party appraisal

Debt Coverage Ratio**:**

- Year 1 = 1.64
- Year 15 = 1.54
- Year 20 = 1.43
- Year 30 = 1.04

This is out of the OHCS typical acceptable range, but the higher DCR is a requirement of the Portland Housing Bureau funding to ensure the repayment of the sponsor loan and deferred developer fee.

Location, Services, Amenities and Marketing

The bond, LIWX and 4% LIHTC programs are non-competitive and therefore Projects must meet only the minimum threshold program requirements and are not scored based on need and impact. The management agent and resident services plan has been reviewed and approved by OHCS Asset Management and Compliance.

Location:

Hill Park Apartments will be located on the SW corner of 1st Avenue and Arthur Street in the Corbett-Lair Hill neighborhood of Portland.

- An established residential neighborhood is to the south of the project
- Commercial businesses are to the north
- Close proximity to the downtown core area
- A Tri-Met bus stop is located directly in front of the project
- Light rail and streetcar stops are located approximately ½ mile to the north
- Close proximity to convenience stores and retail shops

Resident Services:

The sponsor was given an award in the amount of $2,080,000 from Oregon Department of Human Services Addictions and Mental Health (AMH) division. As required by this award, eight of the studio units will be reserved for residents diagnosed with a serious mental illness. It will be required that the residents who occupy these units will be stable in their diagnosis and will receive case management and health care services from Central City Concern primarily off-site at the Broadway Medical Clinic.

Central City Concern will provide all of the on-site and most of the off-site services. Services that CCC cannot provide will be provided by designated partners. Services will include:

- Addiction and mental health treatment
- Skill building and income generation assistance
- SSI/SSDI acquisition assistance
- Housing stability
- Supported Employment services are available to anyone who wants to look at employment options as part of their self-sufficiency plan

AFFH Marketing:

The Sponsor's property management staff is trained to meet Fair Housing requirements, and the project will be marketed accordingly.

Amenities:

- Laundry facilities
- Bicycle storage room
- Patio off rear entrance

Risks & Mitigating Factors

The site is currently vacant but was previously used as a gas station, which was decommissioned in 2001. It was discovered in 1996 that the underground fuel storage tanks had leaked resulting in soil and groundwater contamination. The site was added to DEQ's Leaking Underground Storage Tank (LUST) program and Chevron Corporation, the most recent owner of the gas station, was identified as the Responsible Party (RP) by DEQ for the cleanup efforts.

Between 1996 and 2001 all underground tanks, associated piping and a limited quantity of contaminated soil were removed from the site. In October 2014, after monitoring data indicated that the contaminant concentrations in the groundwater had stabilized, DEQ approved the decommissioning of the groundwater monitoring wells.

The sponsor has entered into a cost-sharing agreement with Chevron Corporation whereby Chevron will reimburse the project for the costs of the remediation of the remaining soils on the site and the installation of a vapor barrier system, as required by DEQ, for the development of the project. It is estimated that the value of Chevron's reimbursement will be $399,500.

Conclusion

Based on the review of the Hill Park Apartments application materials submitted by the sponsor, it is recommended that the motions on page 18 be approved. The approval will be contingent upon the satisfaction of the lender and equity investor's underwriting and closing requirements.

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Date: March 4, 2016

To: Housing Stability Council Members
Margaret S. Van Vliet, Director

From: Julie V. Cody, Assistant Director Housing Finance

Re: 2016 Qualified Allocation Plan Approval

MOTION: Housing Stability Council gives its approval of the final 2016 Qualified Allocation Plan as presented today and authorizes forwarding the document to the Governor for signature as the final step in the process.

We have included in the Housing Stability Council packet the final draft of the 2016 Qualified Allocation Plan (QAP). All edits that have been made since the document was posted for public comment in January have been redlined for your information. In addition, we have incorporated into the final chapter of the QAP all comments received during public comment along with a matrix that includes OHCS' responses to the input. Several letters indicated support for the 2016 QAP and others relayed specific edits that they would like to see incorporated.

Recommended Changes/Edits

We do not consider any of the changes in the document to be substantive. A number of small changes have been incorporated from staff for consistency throughout the document and clarity purposes. There were a couple items changed specifically in response to public comment which I will discuss below.

Preservation Set-Aside Definition

There were several comments made regarding the definition of Preservation that is used to establish eligibility for the preservation set-aside. Prior to this 2016 QAP the eligibility for this set-aside was open to any projects that had at least 25 percent of federal project based rent subsidy. Given the limited ability to fund preservation projects using 9% LIHTC, it is critical to prioritize those projects that have a sincere risk of affordability loss due to losing their project based rent assistance contract. The definition revision in 2016 established a timeframe for the length of remaining contracts in order to better focus these set-aside funds; this works in conjunction with several scoring factors concerning the risk of loss.

In our original draft version of the definition, we had limited the expiration to within 5 years. Based on the comments, we have expanded this to 7 years in order to better address those projects that receive short term contract renewals. This comes well short of reverting back to our former definition, as the commenters preferred, however we feel that it is not an appropriate use of the set-aside to fund projects with existing 20 or 30 year contracts. Those projects would be

still eligible to apply for 9% LIHTCs as an acquisition/rehabilitation project, where they would likely score better than the preservation path which requires an urgency of investment to prevent the risk of loss of federal rent subsidy.

In addition, it is important to note that this change to the definition only applies to the projects eligibility for the set-aside within the 9% LIHTC program. This does not impact the general preservation definition which is used for all other OHCS preservation related programs, which is still identified as 25 percent of the units with federal project based rent assistance.

Oregon Health Authority Comments

The Oregon Health Authority relayed a letter indicating several actions that they would like OHCS to take in the QAP which would further address the needs of people with severe mental illness (SMI). We were able to include their planning efforts and policy groups in the named bodies for which applicants could align projects. However, we were not able to respond to a bulk of their requests, including the addition of a specific set-aside for the SMI population.

For OHCS, the SMI population is one of many within the more general category of persons with disabilities. From a Fair Housing perspective, we are unable to discriminate among populations with disabilities which ends up meaning that we can fund housing to serve disabled populations with services offered for persons with severe mental illness, but we can't fund housing just to serve those with severe mental illness. As such, we consider the SMI population included in our current target population of "persons with disabilities" and will make that clear in any future NOFAs.

Given the limited 9% LIHTC resource allocated to the state of Oregon, and the current 35 percent set-aside for Preservation, it did not seem a prudent time to make an additional set-aside for persons with disabilities. However, we anticipate that as the Housing Stability Council works with OHCS on the state's Housing Plan that priorities like this might be identified that can be revised into a future QAP.

Conclusion

Staff is pleased with the outreach process and collaboration that was utilized over the past seven (7) months to get us to where we are today. We want to thank the Council members for all of their input and guidance along the way as well. It is our hope that you are satisfied with the final 2016 QAP and are ready to endorse the document and authorize staff to send it on to the Governor's office for signature.

Next Steps

Staff will continue to work to incorporate all of the changes in the QAP into the 9% LIHTC NOFA and ancillary documents, which includes manuals, Oregon Administrative Rules (OARs), NOFA Application Forms, NOFA instructions, etc. We are targeting the release of the 9% LIHTC NOFA and HOME NOFA in late May 2016. We will continue to provide updates through a number of communication avenues as we move through the reminder of the preparation work.

~~DRAFT~~

LOW INCOME HOUSING TAX CREDIT

2016 QUALIFIED ALLOCATION PLAN

Oregon Housing and Community Services

~~January 11~~March 4, 2016

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I. INTRODUCTION

The Tax Reform Act of 1986 created the Low Income Housing Tax Credit (LIHTC), under Section 42 of the Internal Revenue Code (Code or IRC).

The LIHTC program (or Program) is jointly administered by the United States Treasury Department Internal Revenue Service (IRS) and authorized state tax credit allocation agencies. Under Executive Order EO-87-06, the Governor of Oregon designated Housing and Community Services Department (OHCS) as the administrator of the LIHTC program. OHCS administers the LIHTC program in accordance with Oregon Administrative Rule (OAR) Chapter 813, Division 90.

This Qualified Allocation Plan (QAP or Plan) is intended to comply with the requirements of Section 42(m)(1)(B) of the Code, which requires that a Qualified Allocation Plan set forth

(i) the selection criteria to be used to determine OHCS's housing priorities,

(ii) the preferences of OHCS in allocating credit dollar amounts among selected low income multifamily resident development Projects, and

(iii) the procedures that the OHCS will follow in monitoring for Program noncompliance, in notifying the IRS of such noncompliance and in monitoring for noncompliance with Project habitability standards through regular site visits.

If any provision of this Plan (and documents included herein by reference) is inconsistent with the provisions of amended IRC Section 42, including any future amendments thereto, or any existing or new State Administrative Rules governing the LIHTC Program, the provisions of IRC Section 42 and/or the State Administrative Rules take precedence and the plan will be amended accordingly. The Plan has been substantially revised for 2016. OHCS reserves the option to issue temporary public notices, rules, or other guidance through which, procedurally, OHCS will continue to efficiently administer the LIHTC program, in a manner consistent with this Plan, and with OHCS's goals.

The Housing Stability Council recommended the amended 2016 Plan contained on, ~~DATE~~March 4, 2016. Public hearing was held concerning the Plan on ~~DATE~~ February 2, 2016 after appropriate notice was provided.

II. COMPETITIVE AND NON COMPETITIVE TAX CREDITS

A. COMPETITIVE HOUSING TAX CREDITS

The allocation of the state of Oregon's per capita credit authority, returned credits, and the State's portion of the National Pool credits is done on a competitive basis, based upon Project rankings determined during an application process established by OHCS. All LIHTC allocations, including any increase in the allocation of a Project's per capita credits, will be governed by this QAP.

B. NON-COMPETITIVE HOUSING TAX CREDITS

The State of Oregon is also provided with access to tax credits associated with Oregon's Private Activity Bond Authority. These tax credits are only available to Projects that are financed using tax-exempt bond proceeds. These non-competitive credits ***are not*** subject to OHCS preferences or selection criteria outlined in the QAP, but must meet Section 42 statutory preferences, standards of financial feasibility and viability (section IV A), Project monitoring procedures (section IV B ii), and Program specific requirements (section IV B iii) established by OHCS. Unless specified otherwise, the requirements laid out in this Plan apply to the 4% LIHTCs.

Projects financed with tax-exempt bonds may be eligible for 4% LIHTCs without participating in a Competitive Credit allocations process. The tax-exempt bonds are subject to the volume cap limitation in Section 146 of the Code as further detailed in Section 42(h)(4)(A) and (B) of the Code.

III. 9% REQUIREMENTS AND CRITERIA

This section applies to 9% LIHTC competitive applications only

A. 9% LIHTC PROJECT CAP

Any Project applying for more than 10 percent of the total annual tax credit allocation will be required to submit a 4% LIHTC/tax-exempt bond pro forma to evaluate feasibility.

No Sponsor may receive more than 20 percent of any annual tax credit allocation. If additional projects have been submitted and score such that they are eligible for funding and are in excess of 20 percent~~%~~ of the total LIHTC funds available, the lower scoring project(s) will not be funded.

No Sponsor may receive more than an average of 15 percent of annual tax credits over any two sequential year's allocations. For example if a Sponsor receives 20 percent of funds in year one, they would only be eligible for 10 percent in year two. OR, if a Sponsor receives 15 percent of funds in year one, they would only be eligible for 15 percent in year two. If additional projects have been submitted and score such that they are eligible for funding and are in excess of the percentage of the LIHTC available, the lower scoring project(s) will not be funded.

B. 9% LIHTC RESTRICTION

Projects that have been funded with 9% LIHTCs in 2016 or thereafter, are not eligible to apply for additional 4% or 9% LIHTC within 20 years of the Project's Placed-In-Service date. Exceptions may be granted at the sole discretion of OHCS in cases where it determines there is a risk of physical, affordability, or other loss.

C. HUD 811

All applicants for 9% LIHTC may be required, at the discretion of OHCS, to implement a Housing and Urban Development (HUD) 811 Demonstration, including the use of HUD's Tenant Rental Assistance Certification System (TRACS) to submit tenant certifications and

electronic vouchers for payment. More information can be found at the HUD 811 Demonstration website:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/grants/section811ptl/demoNOFA

D. SET-ASIDES

i. Qualified Non-Profit Set-Aside:

OHCS will reserve at least 10 percent of the state housing credit ceiling for a calendar year for Projects in which qualified nonprofit organizations have an ownership interest and materially participate in the development and operation of the Project throughout the compliance period. A qualified nonprofit (QNP) organization is an organization described in Section 501(c)(3) or Section 501(c)(4) of the Code and has as one (1) of its exempt purposes the "fostering of low-income housing." Furthermore, the organization must materially participate in the development and operation of the Project throughout the compliance period. The organization must not be Affiliated With, or Controlled By, a for-profit organization, entity, or individual.

In order to document an Applicant's QNP status, the Applicant must submit the following:

a. A copy of the QNP's IRS determination letter.
b. A complete and current-as-amended copy of the QNP's articles of incorporation as filed with the Secretary of State. The articles of incorporation must have as one (1) of its exempt purposes the "fostering of low-income housing."
c. Complete and current-as-amended copies of the bylaws and other governing instruments of the QNP.
d. Evidence the QNP has a satisfactory ownership interest in the Project, and the QNP will materially participate in the development and operation of the Project throughout the Project compliance period.
e. A certification by the QNP that it is not affiliated with, or controlled by, a for-profit organization, entity, or individual.
f. A current list of names of all board members and officers of the QNP and any affiliation (plus the nature of the affiliation) such board member or officer has with any for-profit entities or individuals.

ii. A thirty-five percent (35%) soft set aside has been established for Preservation Projects, where:

- at least twenty-five percent (25%) of the residential units have federal Project-based rent subsidies and the HUD Section 8 contract is expiring or the USDA Rural Development (RD) loan is maturing within ~~5~~ 7 years, RD restrictive use covenants have expired, or the Project needs recapitalization, per capital needs assessment, of at least $30,000 per unit, or;

- Projects with public housing units undergoing a preservation transaction involving a comprehensive recapitalization.

This thirty-five percent (35%) set aside will be calculated out of each regions LIHTC allocation; if no Preservation Projects score high enough in competitive scoring to be funded, the credits will be returned to the regional pool and the next highest scoring Project will be funded. If set aside funds are not enough to fully fund the next highest scoring Preservation Project, the highest overall scoring Project will be funded in the Region.

iii. Other Set-Asides: OHCS may also reserve a portion or portions of its allocation of state housing credit ceiling for other types of Projects or Sponsors; any such set-aside will be approved by the Housing Stability Council and specified in a Notice of Funding Availability.

E. REGIONS

OHCS established Geographic Regions based on areas with similar ability to leverage federal HOME funds as well as having the greatest Project comparability

- **Metro Oregon** (Clackamas, Multnomah, and Washington Counties)
- **Non-Metro HUD HOME Participating Jurisdictions** (the cities of Eugene/Springfield, Salem/Keizer, and Corvallis)
- **Balance of State Oregon** (Baker, Clatsop, Columbia, Coos, Crook, Curry, Deschutes, Douglas, Gilliam, Grant, Harney, Hood River, Jackson, Jefferson, Josephine, Klamath, Lake, Lincoln, Linn, Malheur, Morrow, Polk, Sherman, Tillamook, Umatilla, Union, Wallowa, Wasco, Wheeler, and Yamhill Counties as well as the balance of Benton, Lane, and Marion counties)

  A soft target of 50% of the Balance of State funds is established for Projects located in communities with fewer than 25,000 people. If no Projects score high enough in the competitive application to be funded or if the remaining soft target funds are not enough to fund the next highest scoring Project, the non-used funds will be returned to the regional pool and the next highest scoring Project will be funded.

Applications consisting of multiple sites in different counties that cross between Geographic Regions will be evaluated in and funded from the Geographic Region where the greatest number of residential units is sited.

The percentage of the State's LIHTC allocation targeted to each region in the Notice of Funding Availability is based on the region's percentage of need for affordable housing. Need is based on the following data elements which are weighted evenly to determine the percent of the state's need within each Geographic Region.

a. The number of renter households in each region earning sixty percent (60%) or less county median family income as a percentage of the total state renter households earning sixty percent (60%) or less county median family income.

b. The number of severe rent burdened households in each region with a rent burden of fifty percent (50%) or more total household income as a percentage of the total state severe rent burdened households.

F. Housing and Economic Recovery Act of 2008 (HERA) Basis Boost:

Pursuant to HERA, OHCS has the authority to increase the eligible basis of certain Project buildings to 130 percent of the eligible basis, for 9% LIHTC Projects, when OHCS determines that the financial feasibility of the building requires it.

OHCS has determined that the financial feasibility of Project buildings meeting the criteria below may require a basis boost of up to 130 percent.

i. Preservation Projects.
ii. Projects serving permanent supportive housing goals.
iii. Projects located in an area where workforce housing needs are identified or community needs show a preference for the housing in the area.
iv. Projects that are located in Transit Oriented Districts (TOD's) or Economic Development Regions (EDR's) as designated by local governments, or Projects in a designated state or federal empowerment/enterprise zone or Public Improvement District (PID's), or other area or zone where a city or county has, through a local government initiative, encouraged or channeled growth, neighborhood preservation, redevelopment, or encouraged the development and use of public transportation.
v. Projects that result in the de-concentration of poverty by locating low-income housing in low poverty areas, which are Census Tracts where 10 percent or less of the population lives below the poverty level.

Any NOFA will include a pre-application to determine state Basis Boost eligibility with OHCS.

G. Project Preferences: Long Term Affordability.

OHCS has established a threshold requirement that all competitively awarded housing tax credit Projects must remain affordable for 60 years. No additional preference is conferred on Projects affordable for more than 60 years.

H. Application Threshold

i. Total Development Cost per Unit

Applications listing more than published Total Development Cost per unit size will need to submit an explanation. Costs are based on total Development and Construction Costs (excluding acquisition) and calculated based on bedroom size for urban and balance of state Projects. Total Development Cost per unit size threshold is determined by OHCS based on recently funded projects and other relevant information published in the annual NOFA.

Urban definitions apply in the Metro Region and to any application which meets two urban Project criteria (e.g. more than four (4) stories, elevator, required structured parking, located on urban infill site).

I. SELECTION CRITERIA:

Both quantitative and qualitative factors are considered in the scoring. Financial Viability and Capacity are scored by OHCS personnel. Need, Impact, and Preference measures are evaluated by a scoring committee comprised of OHCS personnel, industry leaders and regional representatives responsible for the competitive scoring and ranking of the Applications. A minimum score of 75 out of 100 possible points is required in order to be eligible for funding. The criteria to be used for each scored section will be as follows:

i. NEED: 20 POINTS

a. **Target Population**

Percentage of units to serve households with children and other populations with special needs including but not limited to veterans, elderly, persons with disabilities, previously incarcerated, and/or survivors of domestic violence

b. **Severity of Need**

1. Population Growth Rate;
2. Rental Housing Age,
3. Severe Housing Burden (spending 50% or more of household income on housing expenses) Rate;
4. If New Construction or Acquisition / Rehab: Affordable Housing Gap (difference between the supply of affordable housing and the target population in need of housing);
5. If Preservation: Community Affordable Housing Percent (the percentage of the community's affordable housing stock the Project represents)

c. **Equitably Served Geography**

Need Distribution of Affordable Housing Units vs. Actual Distribution of Affordable Housing Units.

A data-based calculation that is used to distribute LIHTC funding across Geographic Regions, as well as evaluate the equitable distribution of funded affordable housing. It is based on most recent five (5) year American Community Survey data. The formula equally weights the number of renter households earning sixty percent (60%) of county median family income and the number of severely rent burdened (fifty percent (50%) or more of income on housing) households.

ii. IMPACT: 40 POINTS

New Construction and Acquisition / Rehabilitation Project Impact Criteria

a. **Plan Alignment**

Project applicants are asked to identify connections between the proposed Project and established local, regional and/or state published plans, including but not limited to Consolidated Plans and planning efforts of Regional Solutions Teams, Coordinated Care Organizations, Early Learning Hubs, ~~or~~ Workforce Investment Boards, Oregon Consumer Advisory Council, the Mental Health Planning and Advisory Council, or State Olmstead Plan.

b. **HOME Leverage**

Committed leverage of HOME and/or CDBG Funds; in Balance of State Projects with the acceptance of HOME as gap funding source is included in application for funds; this also includes those Projects in Participating Jurisdictions that also award Tax Increment Financing (or another OHCS approved place-based economic development funds) that are awarded by Participating Jurisdictions in lieu of HOME for gap funding sources.

c. **State Initiative/Policy Alignment**

Project Applicants are asked to identify the way in which the proposed Project advances long-term statewide human service policy priorities as articulated by the Governor or in enacted legislation and can demonstrate a specific plan for improving human service outcomes.

d. **Resident Services~~s Delivery~~**

Project Applicants are asked to identify resident service delivery information. This information will include the partners involved, the division of responsibilities and accountability for service provision, referral, and outcome tracking.

e. **Affirmative Fair Housing Marketing**

Project Applicants are asked to identify ways that their adopted Affirmative Fair Housing Marketing Plan achieves above and beyond the elements required by HUD. Additional actions should include, but not be limited to, using detailed demographic factors in designing outreach strategies; including partner agencies in marketing; a language access plan; preparing reports on identified outcomes; and continuous outreach programs that would be conducted to maintain a well-balanced waiting list that will assure the meeting of the affirmative marketing goals at all times.

f. **Location Efficiency**

1. Walk-ability.
2. Food Access.
3. Medical Access.
4. Public Transit.
5. Education for family housing.

g. **Location Preferences**

1. Vulnerable Gentrification Areas

i. Revitalization Plan.
ii. Qualified Census Tract.
iii. High Percentage Communities of Color.
iv. High Percentage Low Educational Achievement.
v. High Percentage Renters.

2. Opportunity Areas
   i. Low Poverty Census Tract.
   ii. High Ratio of Jobs to Population.
   iii. Below Average Unemployment.
   iv. High Scoring Schools.

Preservation Project Impact Criteria

a. **Tenant Impact**
   1. Vulnerable Tenant Displacement.
   2. Extremely Low Income.
   3. Percentage of Rent Assisted Units.
   4. Tenant Protections if federal rent subsidy expires.
   5. Voucher Utilization of the community's housing authority.
   6. Alternative available and affordable rental housing options in the community.

b. **Risk of Loss**
   1. Opt-out / Market Conversion Risk.
   2. Physical Condition Risk.

c. **Prudence of Investment**
   1. Total Cost per Unit.
   2. Narrative Description of Costs; Applicants are asked to describe the cost of the Preservation Project including providing context for the investment and assessing the Prudence of Investment for preserving the Project as compared to building new units.

d. **Plan Alignment**
   Project Applicants are asked to identify connections between the proposed Project and established local, regional and/or state published plans, including but not limited to Consolidated Plans and planning efforts of Regional Solutions Teams, Coordinated Care Organizations, Early Learning Hubs, ~~or~~ Workforce Investment Boards, Oregon Consumer Advisory Council, the Mental Health Planning and Advisory Council, or State Olmstead Plan.

e. **HOME Leverage**
   Committed leverage of HOME and/or CDBG Funds; in Balance of State Projects with the acceptance of HOME as gap funding source is included in application for funds; this

also includes those Projects in Participating Jurisdictions that also award Tax Increment Financing (or another OHCS approved place-based economic development funds) that are awarded by Participating Jurisdictions in lieu of HOME for gap funding sources.

h. **Resident Services ~~Delivery~~**

Project Applicants are asked to identify resident service delivery information. This information will include the partners involved, the division of responsibilities and accountability for service provision, referral, and outcome tracking.

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Project Applicants are asked to identify ways that their adopted Affirmative Fair Housing Marketing Plan achieves above and beyond the elements required by HUD. Additional actions should include, but not be limited to, using detailed demographic factors in designing outreach strategies; including partner agencies in marketing; a language access plan; preparing reports on identified outcomes; and continuous outreach programs that would be conducted to maintain a well-balanced waiting list that will assure the meeting of the affirmative marketing goals at all times.

f. **Location Efficiency**

1. Walk-ability.
2. Food Access.
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   i. Revitalization Plan.
   ii. Qualified Census Tract.
   iii. High Percentage Communities of Color.
   iv. High Percentage Low Educational Achievement.
   v. High Percentage Renters.
2. Opportunity Areas
   i. Low Poverty Census Tract.
   ii. High Ratio of Jobs to Population.
   iii. Below Average Unemployment.
   iv. High Scoring Schools.

i. PREFERENCE: 10 POINTS

a. **Serving Lowest Incomes**

1. Average Gross Median Income Restrictions on qualified units.
2. Rental Assistance such as Project Based Subsidy.

b. **Federal Preferences**

1. Intended for eventual tenant ownership.
2. Energy efficient measures employed.
3. Evidence of historic value for the community.
4. Established commitment to marketing to public housing wait lists.

ii. FINANCIAL VIABILITY: 15 POINTS

a. **Development pro forma review**

1. Pro forma includes only realistic and available resources on the Sources of Funding
2. Explanation of how the development budget will still be valid at the start of construction.
3. Relocation Plan completed if warranted and aligns to development budget.
4. Developer Fee is within the OHCS maximum allowable.
5. If Uniform Relocation Act (URA), the budget line item accurately reflects the Project cost based on the sufficient Relocation Plan.
6. If Commercial Real Estate is included in the Project, Sources and Uses are provided on a separate pro forma page.

b. **Operating pro forma review**

1. Affordable rents at least 10~~%~~ percent below estimated market rents.
2. Debt coverage ratio is a minimum of 1.15:1 for hard amortizing debt. When utilizing OAHTC funds, the minimum debt coverage ratio is required to be met *after* the OAHTC pass through is applied.
3. Cash flow within OHCS guidelines or adequately explained (1.30 or below, unless adequately explained or declining cash flows require a higher debt coverage).
4. Vacancy rate at 7 percent~~%~~ or adequately explained.
5. Submitted reserves for replacement analysis and included adequate amount for replacement items in pro forma as detailed in IV.E.ii operating pro forma guidance.
6. Income inflation factor is less than expenses inflation factor.

c. **Reasonable request and demonstrated need for resources**

1. Eligible basis requested is analyzed to determine accuracy (land, commercial, ineligibles are not supporting annual allocation, and there will not be a material gap in finances).

d. **Well documented and explained construction costs**

1. Construction documents, including CNA, if required, provide enough detail to adequately calculate Project hard costs.
2. Construction and rehabilitation estimates substantially agree with the pro forma.
3. Green building costs reflected in construction costs.
4. Contractor overhead, profit and general conditions are within the required range for LIHTC as specified in IV.E Financial Feasibility section of the QAP.

e. **Explained exit strategy at year 15**

1. Exit strategy explanation adequate and acceptable; plans imparted with strategies for success for the year 15 transfer to the general partner / managing member.

iii. CAPACITY: 15 POINTS

a. **Owner, Sponsor, Management Performance**

Applicants with projects in the OHCS portfolio will be reviewed on the performance of all projects in the portfolio, the average score of all Projects will be used; Applicants without projects in the OHCS portfolio will be asked to submit a letter indicating their compliance status with any existing projects (if unreported noncompliance is discovered later, it may be grounds for rescinding awarded credits or negatively impact future applications for funding).

Portfolio project criteria will be calculated for each relevant project and summed and apportioned based on portfolio size.

1. **Federal Reporting Criteria**
   i. 8823s status.

2. **OHCS Portfolio Compliance Criteria**
   i. Most recent Real Estate Assessment Center (REAC) score.
   ii. Most recent Physical Review.
   iii. Most recent File Review.
   iv. Most recent Resident Services Review.
   v. Most recent Response Review.
   vi. Certification of Continuing Program Compliance (CCPC) submission received for current year shows compliance;
   vii. Ongoing compliance issues.

2. **OHCS Portfolio Viability Criteria**
   i. Financial submission as requested.
   ii. Most recent financial audit is closed.
   iii. Most recent audited financials Debt Coverage Ratio.
   iv. Asset management community evaluation completed satisfactorily.

b. **Minority Women and Emerging Small Business Utilization**

1. Identification of plans to engage MWESB contractors and subcontractors during the development process.
2. Evaluation of performance against previous MWESB plans, when available.

c. **Readiness to Proceed**

1. Funding commitment for planned Project funds.
2. Explanation of when other sources of funds will be available to the Project if not already committed is reasonable.

3. Demonstrated ability to begin construction within 12 months.
4. Proposed Project schedule appears adequate and reasonable.
5. Explanation of why Project must be funded now as opposed to future NOFAs is reasonable.

J. Ranks and Tie Breaking

Applications are first ranked within each Geographic Region. If Applications that meet the soft set-aside percentage allocation are represented, the highest in overall scoring within each Geographic Region will be recommended for funding as allocated resources allow. If Applications that meet the set-aside percentage do not score in the funded range, the highest scoring project(s) that can be fully funded with the set aside allocation will be recommended for funding and the balance of the funds will be allocated LIHTCs until the balance of available LIHTCs or other OHCS funding sources are not adequate to support any other Applications within the Geographic Region. If no Applications eligible for a set-aside score adequately to be funded in the region the funds will be put back into the regional pool.

If there are remaining LIHTCs in any of the Geographic Regions, such remaining LIHTCs will be pooled, along with any remaining OHCS funding sources, for further consideration for the remaining unfunded Applications. Applications would then be ranked statewide by overall score and additional reservations may be issued until the balance of available LIHTCs or other OHCS funding sources are not adequate to support any other Applications.

If LIHTCs and/or other OHCS funding sources remain after all reservation processes are complete, OHCS may choose, at its sole discretion, whether or not to award any or part of the remaining LIHTCs/resources.

If the total evaluation scores of two (2) or more Applications result in a tie and LIHTC allocation availability are insufficient to fund all tied Applications, the following criteria will be used to break the tie:

- If the tied Projects are in different Regions and more than fifty percent (50%) of the remaining funds comes from one of those Regions; that Project will be funded.
- If the tied Projects are in the same Region, or from Regions whose allocation contributes less than fifty percent (50%) of the remaining funds, the Project with the lowest Average Median Income served will be funded.
- If the Average Median Income is tied, the Project with the lowest cost (excluding acquisition and reserves) will be funded.

K. Returned and Unused LIHTC Allocation Authority

i. Reissuing Returned Awards

In the event an Application being considered for a LIHTC Reservation or Allocation either withdraws or is cancelled; or available credits were not originally allocated during

the funding cycle, or can't make its carryover requirements, or National Pool is awarded above current allocations, OHCS, at its sole discretion, may do any of the following:

a. If needed and available, fill Project gaps in previously awarded Projects that have not met Carryover;
b. Fund the next highest ranking Application from the current funding cycle that matches or is closest to the amount of LIHTCs and other OHCS funding sources available. The Applicant will be given thirty (30) days to reevaluate the financial feasibility and determine whether or not the proposed Project can move forward. Once OHCS has published the Application Rankings, such rankings will be used to allocate LIHTCs during the annual funding cycle until October 1. At that time, funding order will be relinquished until re-established in a subsequent Notice of Funding Availability. Any returned credits after Sept. 30 of any year will be treated as if received in the following year, and will be allocated as part of that future allocation year.
c. OHCS may issue a Request For Proposals (RFP), or special application process for Projects to complete for the unused LIHTCs.
d. Add the amount to the total available to the following calendar year's application-award cycle.

To the best of its ability, OHCS will maintain the desired funding split between Geographic Regions.

Applications will remain eligible for the funding cycle for which they applied for LIHTCs only if the Applicant has not applied as a four percent (4%) non-competitive LIHTC Project.

ii. RE-EVALUATION OF RESERVATION

The following events will result in a re-evaluation of a previously issued Reservation:

a. Failure to close within two hundred forty (240) days of the Reservation ("Reservation Period").
b. A material change so that the Project or Applicant no longer meets the Minimum Qualification Threshold or any of the competitively scored criteria.
c. The proposed Project will not be placed in service by the date mutually agreed upon.
d. Other material causes at OHCS's reasonable discretion.

In the event of a re-evaluation of Reservation, the Agency, at its reasonable discretion, may do any of the following:

a. Revoke the Reservation.
b. Approve requested changes to the original Reservation or Application as proposed.
c. Take no action.

IV. GENERAL THRESHOLD AND UNDERWRITING

A. Project Feasibility and Viability

OHCS will make the financial feasibility and viability determination required under Section 42(m)(2)(A) for all 4% and 9% LIHTC allocations. The Code requires OHCS to allocate only what is necessary for financial feasibility throughout the ~~credit~~ extended use period. OHCS will evaluate each proposed Project taking into account relevant factors, including but not limited to the following items:

1. Project cost, including the reasonableness of cost per unit, developer fees and overhead, consultant fees, builder profit and overhead, and syndication costs.
2. Sources and uses of funds and the total financing planned for the Project, including the ability of the Project to service debt.
3. The proceeds or receipts expected to be generated by reason of tax benefits.
4. The use of federal funds and other assistance.
5. Other factors that may be relevant to the economic feasibility of the Project such as the area economy or the housing market.

Based on this evaluation, OHCS will estimate the amount of tax credits to be reserved for the Project. This determination is made solely at OHCS' discretion and is in no way a representation as to the actual feasibility of the Project. Rather, it will serve as the basis for making reservations of tax credits for Projects competing for credit from the federal housing credit ceiling or it will serve as an initial determination of credit amount with respect to a Project financed by private activity bonds. The amount of tax credits may change during the allocation process due to variations in cost, mortgage amount, tax credit percentage, syndication proceeds, etc. The final tax credit determination is made solely at OHCS' discretion at the time of final application and prior to the issuance of IRS form 8609, as detailed in Section V, H Placed-In-Service Allocation Requirements.

If there is a material increase in LIHTC pricing subsequent to a reservation Tax Credits, OHCS reserves the right to adjust the amount of a tax credit award or any other OHCS funding source. The Department may use the following guidelines for avoiding project over-subsidization, subject to the approval of OHCS.

The increase may be used:

- To decrease rents.
- To reduce the permanent loan, sponsor loans, tax credit allocation or other OHCS funding sources as determined by the Department.

A portion of the increase may be used:

- For necessary justifiable cost increases.
- To reduce deferred developer fee.

Pursuant to Section 42(m)(1)(A)(iii) of the Code, OHCS will not finalize an allocation unless the owners submits a complete market analysis 90 days after Reservation for 9% LIHTC or at application for 4% LIHTC. See Market Study appendix for complete requirements.

B. General Thresholds:

OHCS has established the following Minimum Threshold Requirements (Thresholds) for evaluating Projects. The Applicant must demonstrate in the Application compliance with all the applicable Thresholds. Failure to pass any of these Thresholds will disqualify the Application from scoring and therefore from receiving any funding.

i. Administrative Review; Complete Application and Appropriate Charge

The Applicant must submit a complete, legible, and executed Application satisfactory to OHCS. The Applicant must include all required attachments and the appropriate Application charge by the deadlines established by OHCS. The Applicant must use OHCS's Application forms.

When responding to a NOFA, the Application, attachments, and Application charge must be received by OHCS at its office no later than 4:00 pm Pacific Time on the Application due date. No late Applications will be accepted.

The Applicant may pay the charge with a business or personal check, a money order, or a cashier's check. Cash is not accepted. An Application submitted with a check that is returned for insufficient funds will be disqualified and not considered further.

The Applicant must include all of the required attachments to show the Project meets the Minimum Threshold Requirements and all Allocation Criteria the Applicant has selected for the Project.

OHCS will only consider the material and information included in the Application when it is first submitted for any competitive NOFA processes, except for (i) changes permitted by OHCS in its discretion, and (ii) material accepted during a correction period.

If OHCS determines an Application is substantially complete, but a minor item is missing, incorrect, or needs clarification, the Applicant will have five (5) business days from receipt of written notice from OHCS to submit the required information. At the discretion of OHCS, additional time may be permitted to submit the required information. The written notice will be sent to the address of the contact person identified in the Application. If the Applicant fails to submit the required information within the required time period (including extensions) OHCS may disqualify the Application.

The correction period does not apply to any Application determined to be materially incomplete by OHCS. Material changes for 4% applications are accepted throughout the underwriting process.

ii. Asset Management Compliance

Applicant's current portfolio of Projects monitored by OHCS must be in compliance with required Program and OHCS regulations. Each Applicant will be evaluated using a standardized internal process reviewing asset management and compliance categories with

portfolio thresholds and will be evaluated based on the size of the portfolio. Compliance categories evaluated will include the following:

a. Most recent rating received for management reviews.
b. Physical inspections.
c. Tenant file reviews.
d. REAC scores.
e. Submission of required reporting including financial audits and certifications of program compliance (CCPC's).
f. Owner and Management cooperation with reporting and communication.
g. Need or outcome for a community evaluation within the last year.

The past performance of each Applicant will be evaluated internally by reviewing standard asset management and compliance categories against portfolio thresholds which are established based on the size of the portfolio.

iii. PROGRAM COMPLIANCE

Applicants must satisfy all Project requirements including, but not limited to, the Program Requirements for all applicable OHCS funding sources. Each OHCS funding source has separate requirements within the Application, including forms and exhibits that must be submitted simultaneously. These forms and exhibits are more particularly described and available in the Applications and Program Manuals.

iv. RESIDENT SERVICES

The Applicant is required to provide a Resident Services Description at the time of Application, in accordance with the goals and guidelines in Appendix D.

v. RELOCATION PLAN

If any relocation or displacement might occur as a result of an Allocation, the Application must contain a relocation plan satisfactory to OHCS including all of the following:

a. A complete survey of existing tenants using the format provided by OHCS. This survey must be augmented to include third party income verification and be completed and approved by OHCS prior to the Equity Closing.
b. Type of displacement that will occur (permanent or temporary).
c. Proposed relocation/displacement process. Indicate compensation and advance notice provided to those subject to displacement.
d. Availability of comparable units in the community.
e. Describe the local jurisdiction displacement/relocation policies, if applicable.
f. Describe how tenants with disabilities will be assisted regarding relocation or displacement.
g. Provide regular updates on each resident to be relocated or displaced; and
h. For Projects receiving federal funds, the URA may apply. URA requirements, if inconsistent with any other requirements, will supersede any of the above.

vi. MINORITY, WOMEN, AND/OR EMERGING SMALL BUSINESS (MWESB) ENGAGEMENT

Minority, Women, and / or Emerging Small Businesses (MWESB) contractors are those registered with the State.

All Applicants will be required to identify ways and/or targets that they will contract with MWESB contractors/subcontractors in the construction and operation of the proposed Project.

Awardees will be required to submit a report to OHCS demonstrating outcomes of efforts to contract with MWESB contractors/subcontractors, using state registry at the time of the Form 8609 issuance.

vii. READINESS TO PROCEED

a. **Site Control**

The Applicant must have control of the land and other real property necessary for the Project by the Application deadline and submit evidence of that control with the Application. Acceptable evidence of site control is a document that has a complete and accurate legal description and is either:

1. a recorded deed or conveyance showing the Applicant has Ownership.
2. a valid purchase and sale agreement;
3. a valid option to purchase;
4. a valid option for a long-term lease; or
5. any other evidence satisfactory to OHCS.

The name on the evidence of site control and the Applicant must be **exactly** the same. The site control document must identify the exact same area as the Project site listed in the Application and the exact same cost for the land and/or existing buildings for the Project referenced in the development budget provided with the Application. If the site description in the Application and the site control document are not exactly the same, the Applicant must provide a narrative description and supporting documentation satisfactory to OHCS to clarify how the area and cost for the Project were established.

OHCS will only accept one Application for a specific site or for any part of the same site, regardless of whether Applications are submitted by the same Applicant or by multiple Applicants. If there is more than one (1) Application received for the same site, or any part of the same site, OHCS may disqualify one (1) or all of the Applications. The *non-refundable* Application charge for each Applicant will be retained by OHCS.

b. **Additional Federal Project Resources Status**

If the Applicant has identified additional federal resources, such as rental and/or capital assistance from HUD, RD, or US Department of Veteran's or the Veteran's Administration (VA), as part of the funding structure, the Applicant will be required to

provide evidence satisfactory to OHCS that an application for these resources has been submitted and remains active.

c. **Adequacy of Development Schedule**
The Applicant's development schedule must clearly demonstrate that funds will be invested and the Project will be constructed, leased and stabilized within all required Program(s) time frames.

d. **Adequacy of ~~Environmental~~ Building Site Checklist**
~~Environmental Reviews~~Building site checklist are required. If there is any adverse ~~environmental~~ factors established at the time of OHCS's ~~Environmental~~ building site checklist review~~Review~~, the Applicant must provide a satisfactory mitigation plan.

C. General Underwriting

i. Program Limits:

OHCS has established the following program limits (Program Limits) for evaluating Projects. The Applicant should demonstrate in the Application compliance with all the Program Limits. In determining the amount of Program resources to allocate to a Project, OHCS may reduce the budget and funding amounts to reflect the Program Limits listed below. If the Applicant varies from the following Program Limits, mitigating factors must be provided by the Applicant, which factors will be subject to OHCS consideration in its sole discretion.

ii. Maximum Construction Contingencies included in LIHTC Determination:

The maximum amount of LIHTCs reserved or allocated to a Project will be determined after limiting the rehabilitation contingency to ten percent (10%) of the rehabilitation costs and the new construction contingency to five percent (5%) of the new construction costs. Rehabilitation costs include rehabilitation hard costs, site work costs, general conditions, and contractor profit and overhead. New construction costs include new construction hard costs, site work costs, general conditions, and contractor profit and overhead.

iii. Maximum Developer Fees

OHCS will consider Developer Fees, as specified in the table below; calculated as the Developer Fee plus Consultant Fees divided by the Total Project cost minus Acquisition, Developer Fee, Consultant Fees and Capitalized Reserves

$$\frac{\text{Developer Fee } \textbf{PLUS} \text{ Consultant Fee}}{\text{Total Project Cost } \textbf{MINUS} \text{ Acquisition, Developer Fee, Consultant Fee, Capitalized Reserves}}$$

	9% LIHTC	9% LIHTC	4% LIHTC	4% LIHTC

Project Size	New Construction	Acquisition/ Rehab	New Construction	Acquisition/ Rehab
<31 Units	18%	20% + $4,000/unit **OR** + $5,500/unit for Preservation	20%	22% + $4,000/unit **OR** + $5,500/unit for Preservation
31-75 Units	16%	18% + $4,000/unit **OR** + $5,500/unit for Preservation	18%	20% + $4,000/unit **OR** + $5,500/unit for Preservation
76-100 Units	14%	16% + $4,000/unit **OR** + $5,500/unit for Preservation	16%	18% + $4,000/unit **OR** + $5,500/unit for Preservation
100+ Units	12%	14% + $4,000/unit **OR** + $5,500/unit for Preservation	14%	16% + $4,000/unit **OR** + $5,500/unit for Preservation

For this purpose, Developer Fees shall be deemed to include all consultant fees (other than arm's length architectural, engineering, appraisal, market study and syndication costs), and all other fees paid in connection with the Project for services that would ordinarily be performed by a developer, as determined by OHCS.

The Developer Fee will be set at the time of the construction/equity closing based on the Project's final budget after construction bids have been accepted and final sources and uses have been balanced, but will not exceed the amount in the application without approval which will be at the sole discretion of OHCS and will not be unreasonably withheld for justifiable increases in the scope of work, as long as the developer fee does not exceed OHCS's approved maximum developer fee. The fee presented in the Placed in Service documentation may not exceed the amount finalized at closing.

To be included in tax credit basis, it must be an eligible cost and deferred developer fees must be due and payable at a certain date generally within a time period that does not exceed fifteen (15) years. Cash-flow projections must support the expectation of repayment. If repayments are not illustrated annually, the portion not illustrated to be repayable will be removed from eligible basis.

iv. OPERATING EXPENSES

Operating expenses will be reviewed for reasonableness within the budgets submitted; Applicant may be required to submit documentation (including for example three years of audited financials for rehabilitation Projects) to substantiate that any or all of the Projects

revenue or costs are reasonable. OHCS will review against its portfolio and take into consideration input from lenders and investors.

v. MAXIMUM CONTRACTOR'S PROFIT AND OVERHEAD

When the general contractor is a Principal, Related Party or otherwise has an Identity of Interest with the Applicant or Project Owner, OHCS will limit the general contractor's combined profit, general conditions and overhead to an amount up to ten percent (10%) of total rehabilitation/construction costs plus site work costs. All others will be limited to a combined profit, overhead and general conditions amount of up to fourteen percent (14%) of construction costs plus site work.

D. INAPPROPRIATE USE OF RESOURCES

i. DEBT REDUCTION

Program resources may not be used to buy down or refinance existing debt.

ii. REIMBURSEMENT FOR PRIOR CONSTRUCTION

Program resources may not be used to reimburse construction or rehabilitation work started or completed within six (6) months before a 9% Application or approved intent resolution for 4% LIHTC.

E. FINANCIAL FEASIBILITY

i. SOURCES AND USES STATEMENT:

The Applicant must submit the Sources and Uses statement with its Application or as otherwise required by OHCS**.** The Sources and Uses statement must describe all of the funds or Sources to be used to pay for all Project costs and the intended Uses of such funds. The statement must identify each separate source and use and the estimated timing of final approval for each. The Sources and Uses must balance fully and no Source may be unknown. If any sources or uses are identified as unknown at the time of review, the Applicant's application may be deemed incomplete and removed from further processing.

Acquisition cost must be supported by an appraisal	Possible exception for HDGP and GHAP only Project at the discretion of OHCS
Construction Inflation Factor/Cost Escalator (applies to separate line item above and beyond construction bid)	3 % of total construction cost
Contractor Profit, General Conditions and Overhead – non Identity of Interest (does not include insurance)	14% of total construction cost or less
Contractor Profit, General Conditions and Overhead – Identity of Interest (does not include insurance)	10% of total construction cost or less

Soft Costs	30% of Total Project Cost or less
Operating Reserve	Generally six (6) month of operating expenses or lender / investor conditions
Lease Up Reserve	Submit cash flow analysis utilized to determine the amount
Reserve for Replacement (Capitalized)	Submit evidence of the partner lenders and/or investors to document their requirement Minimum guideline of $350 per unit per year, $300 for Senior Projects

ii. OPERATING PRO FORMA:

The Applicant must submit with its Application an operating pro forma for the Project satisfactory to OHCS demonstrating financial feasibility and viability of the Project for a typical twenty (20) year ~~compliance~~ permanent loan period. Different Programs may have different compliance periods and OHCS may require that the operating pro forma address relevant compliance periods. In addition, the Applicant must demonstrate that the Project will continue to be economically feasible and have adequate replacement reserves for an extended use period of an additional fifteen (15) years after the initial compliance periods. The operating pro forma must list each of the compliance periods and extended use periods separately and include assumptions, notes and explanations regarding the respective income and expense projections.

Absent a long-term commitment (in excess of ten (10) years), Projects with rental assistance must demonstrate financial feasibility excluding the rent subsidy.

If the Project includes commercial and/or other non-residential space, the Applicant must submit the following information and supporting documentation in addition to the residential pro forma requested above:

a. A breakdown of the total residential and commercial Project costs,
b. A list of the financing sources for the commercial areas,
c. Ownership entity and management agent of the commercial areas; and
d. A twenty (20) year operating pro forma for both the residential and commercial areas.
e. Such other information as OHCS may require.

The pro forma must contain the following data:

a. Growth assumptions that are typically estimated at two percent (2%) per year for income and three percent (3%) per year for expenses.

b. Estimates of income and expenses that are well documented by actual historical amounts, comparable income or expense studies, Applicant market assessment, a market study or an appraisal.
c. Such other information as OHCS may require.

The pro forma also must address the following industry benchmarks:

a. A vacancy rate of not less than seven percent (7%), if a different rate is used, explanation must be provided in the Financial Description section of the application.
b. An expense ratio and expenses per units properly scaled to the size and scope of the improvements, the cost of local utilities and taxes and the makeup of tenant population served.
c. Replacement reserves properly scaled to the size and scope of the improvements and the age and condition of the property. Minimum guideline of $350 per unit per year, $300 for Senior Projects; amounts in excess will be allowed if reasonably justified by Capital Needs Assessment and / or lenders conditions. The CNA is described in the Architectural Appendix.
d. Operating Reserves are generally six (6) months of operating expenses or lender / investor conditions.

While using some benchmarks and industry best practices to evaluate the information, each pro forma will be separately assessed based on its reasonable and well-documented projection of income and expenses to determine if it effectively demonstrates the Project's financially feasibility and viability.

iii. MINIMUM DEBT COVERAGE RATIO

The minimum Debt Coverage Ratio (DCR) will be 1.15:1 for all hard ~~amortized~~ amortizing debt through the initial 20-year pro forma period. Projects with debt coverage ratio that exceed 1.30:1 may be eligible for less credit amount than calculated as discussed in Section IV, A, project feasibility and viability. Projects are underwritten on an individual basis in concert with the lenders to determine an appropriate DCR and perform subsidy layering.

iv. DEBT UNDERWRITING:

Many Projects require hard ~~amortized~~ amortizing debt as one of the sources of funds. If there is hard amortizing~~ed~~ debt, the proposed debt service coverage, and breakeven ratios must be in conformance with OHCS limits and industry norms noted previously. If there is no mortgage debt, then the pro forma must demonstrate a stable positive cash flow over 20 years.

F. Development Team Capacity

i. Previous Experience

The Applicant must demonstrate to the satisfaction of OHCS that the Applicant, the developer, the project management consultant, the general contractor, the development consultant under contract and/or other persons or organizations materially involved in the acquisition, construction, rehabilitation, development, or improvement of the Project has:

a. Successfully completed a multi-family housing project of a comparable number of housing units, of similar complexity, and for a similar target population as the proposed Project.
b. The necessary level of staffing and financial capacity to successfully manage development and operations of its current Project portfolio including, but not limited to, all current and pending Projects and Applications.
c. Successfully completed previous Projects for which a similar Program allocation was received in Oregon or other states.

If the Applicant is using a development consultant to show this capacity, the Applicant must also submit a copy of the executed contract detailing terms, conditions, and responsibilities between the Applicant and the development consultant at Application.

ii. Property Management Capacity

If the Applicant is going to employ a property manager with respect to the Project, the Applicant must provide a document detailing the experience level of the proposed property management firm that demonstrates they have successfully managed:

a. a multi-family housing development of a comparable number of housing units and/or of a similar complexity as the proposed Project; and
b. a multi-family assisted or subsidized housing development with local, state, and/or federal operating requirements comparable to those of the requested Program.

OHCS will review the change of/or initial implementation of all Management Agents including Owners who are proposing to manage properties as Owner. OHCS policy requires 60 days' notice prior to any change. The owner must submit the proposed new agent plan and qualifications to Asset Management & Compliance section of OHCS. OHCS will review the materials and approve, conditionally approve, or disapprove the proposed agent. Management agents and/or Owners responsible for LIHTC compliance must attend LIHTC training and receive a certification from a nationally recognized LIHTC compliance trainer. Any exceptions to this policy will be made solely at the discretion of OHCS.

iii. Financial Capacity:

As disclosed in the Application or other required information, Applicant's financial condition must not contain any adverse conditions that might materially impair the

Applicant's ability to perform its financial obligations as Sponsor during the construction or stabilization of the Project.

iv. OHCS SOLE DISCRETION

OHCS reserves the right to determine, in its sole discretion, whether the Third-Party Letters of Interest or Intent, Award Letters, or Commitment Letters are satisfactory, and whether a lender or investor possesses the financial or other capacity to make a specific loan or investment. A change in the Project's financing structure or financing terms after Reservation of OHCS funds must be brought to the attention of OHCS. OHCS may in its sole discretion re-underwrite the Project, which may result in all or a part of OHCS resources being recaptured or reduced by, or returned to, OHCS.

v. PROJECT/REQUEST DENIAL

OHCS may reject an Application where the Applicant, Owner, Principal, or other Participant with respect to the proposed Project, previously has:

a. Failed to complete Projects in accordance with requests or certified plans presented to OHCS or other public or private allocating agencies.
b. Failed to complete a Project within the time schedule required or budget indicated in the request.
c. Failed to effectively utilize previously allocated program funds and notified of such failure to meet appropriate utilization in advance of request NOFA closing date.
d. Been found to be in non-compliance with program rules as evidenced by OHCS or other public or private Allocating Agency Project monitoring and missed the cure time deadline given in writing.
e. Been debarred or otherwise sanctioned by OHCS or other state, federal or local governmental agency.
f. Been convicted within the last ten (10) years of criminal fraud, misrepresentation, misuse of funds, or moral turpitude or currently is indicted for such an offense.
g. Been subject to a bankruptcy proceeding within the last five (5) years.
h. Otherwise displayed an unwillingness or inability to comply with OHCS requirements.

OHCS reserves the right to disapprove any Application if, in its judgment, the proposed Project is not consistent with the goals of providing decent, safe and sanitary housing for low-income persons. OHCS may impose additional conditions on Project Sponsors for any Project as part of the Application, Reservation or Allocation processes.

G. FINANCIAL SOLVENCY

As part of the Application and at such other times as required by OHCS, the Applicant must provide a certification with respect to the financial solvency of the Applicant, the Project and certain Project participants in the form required by OHCS.

If the certification discloses any financial difficulties, risks or similar matters OHCS believes in its sole discretion might materially impair or harm the successful development and operation of the Project as intended, OHCS may:

i. Refuse to allow the Applicant or other participant to participate in the Tax Credit Program or other OHCS Programs.

ii. Reject or disqualify an Application and cancel any LIHTC Reservation or Allocation.,

iii. Demand additional assurances that the development, Ownership, operation, or management of the Project will not be impaired or harmed (such as performance bonds, pledging unencumbered assets as security, or such other assurances as determined by OHCS).

iv. Take such other action as it deems appropriate.

The Applicant must also immediately disclose throughout the Application process and throughout the development and operation of the Project if there is a material change in the matters addressed in the certification, failure to do so may result in a loss of Reservation.

V. LIHTC Requirements and Processes

A. LIHTC Reservation and Carryover Allocation Requirements

Those Projects selected by OHCS as a Recipient of LIHTCs will be issued a LIHTC Reservation, Carryover Allocation, and Form 8609 only if they meet the requirements set out in OHCS's documentation. OHCS may disqualify the Project/Application and cancel the LIHTC Reservation and Carryover Allocation for any Project if these requirements are not met by the deadlines set by OHCS.

i. Reservation Period

If the Applicant does not satisfactorily complete the conditions of the LIHTC Reservation Letter and/or the Carryover Allocation Agreement the Project may have the LIHTC Reservation rescinded.

OHCS may reallocate 9% LIHTCs in accordance with Section III K.

OHCS will require each Applicant that has received a LIHTC Reservation to demonstrate the Project is making satisfactory progress towards completion through regular progress reports.

ii. No Representation or Warranty

Issuance of a OHCS funding resource Reservation shall not constitute or be construed as a representation or warranty as to the feasibility or viability of the Project, or the Project's ongoing capacity for success, or any conclusions with respect to any matter of federal or state law. All OHCS resources are subject to various state and federal regulations governing the specific program from which they are obtained, and Applicants are responsible for the

determination of their Project's eligibility and compliance consistent with all Project Requirements.

iii. 9% LIHTC CARRYOVER ALLOCATION AGREEMENT

9% LIHTC Applicants, on or before December 1st of the LIHTC Allocation Authority year, must submit either an application for LIHTC Carryover Allocation (if the Project is still in the construction phase), or a Final Application indicating placed-in-service.

All LIHTC Carryover Allocations will be made on a "Project" basis. The LIHTC amount that qualifies for a Reservation to any Project is the lump sum amount of that available to each qualified building in the Project. The actual amount of LIHTCs available for any specific building will be apportioned from the lump sum Carryover Allocation of Credit and determined when that building satisfies the placed-in-service Allocation requirements.

iv. Ten Percent (10%) Carryover Test for 9% LIHTC Projects

Within twelve (12) months of the date of the Carryover Allocation Agreement the 9% LIHTC Applicant must demonstrate to the satisfaction of OHCS that it has incurred more than ten percent (10%) of the reasonably expected basis of the Project by certifying to OHCS that it has fulfilled this requirement and submitting a CPA's certification.

The CPA's certification should itemize all of the costs incurred to satisfy the ten percent (10%) requirement. If the Applicant is itemizing any portion of the developer fee or consultant fees for purposes of satisfying the ten percent (10%) requirement, the certification must contain a detailed breakdown of the services performed by the developer and each consultant and the amount of the fees apportioned to each service. The Applicant must also submit a copy of all developer and consultant contracts as well as an itemized statement apportioning the fees earned to each service provided.

OHCS may require the Applicant to submit additional documentation of the costs reflected in the certification and OHCS may limit or exclude certain costs if it cannot determine that they are reasonable and appropriate.

B. COMPLIANCE WITH CODE AND OHCS REQUIREMENTS

OHCS may choose not to issue a Carryover Allocation Agreement if the Applicant, a Principal, or any member of the Development Team is in Noncompliance with any applicable Program Requirement. If OHCS decides to disqualify the Project/Application and cancel the LIHTC Reservation, any LIHTCs reserved to the Project will be automatically returned to OHCS without further action of the parties and the Applicant will have no further right to such LIHTCs.

C. DETERMINATION OF LIHTC ALLOCATION AUTHORITY YEAR

When making a Reservation of LIHTC, OHCS reserves the right to make an Allocation a future year's credit ceiling (Forward Allocation). Such Allocation(s) may be full or partial for the Project(s). The applicable Qualified Allocation Plan will be those in place for the earliest funding cycle in which an award of funds is received.

D. Exchange of 9% Credit Award for Subsequent Year's Credit Allocation

Once an Applicant has received a Reservation of LIHTCs, the Applicant has the responsibility to complete the Project by the timelines identified in the IRC Section 42 and as outlined in the Qualified Allocation Plan.

OHCS reserves the authority to exchange an Allocation of Credits from one (1) year for the exact same amount of Credits in a subsequent credit year.

Applicants must determine good cause to return their Reservation to OHCS, and as such the Applicant has a one (1) time option to return their Allocation to OHCS, as follows:

i. No later than March 31 of the year following the Reservation of LIHTCs, an Applicant may request to return its allocation for the exact same Project for which the credit was originally allocated at Carryover and exchange it for an award of the same amount of credits from the next credit year as the amount returned. For example, a 2016 awarded Project that receives a forward reservation of 2017 tax credits of the exact same amount can transfer if requested by March 31, 2017, to get an allocation of 2018 credits. This is necessary if the Project will not be placed in service by December 31, 2019 and needs to wait to place in service until the end of 2020.

ii. After LIHTCs have been returned, an Applicant may apply for additional LIHTCs.

iii. Projects must comply with the requirements applicable in the initial year of award and all representations made in the initial application (unless specifically and explicitly waived by OHCS); OHCS must have a project to which it can award current-year LIHTCs.

iv. OHCS will consider, at its sole discretion, filling gaps due to increased costs resulting from timing; the basis for such consideration would be the lesser of the true impact or the construction cost escalation factor.

E. Affordability Period

All Projects receiving OHCS funds, excluding Projects funded solely with 4% LIHTCs or Oregon Affordable Housing Tax Credits, will be required to maintain the property as affordable for a minimum of 60 years. Affordability terms will be secured by a deed restriction. Owners of developments where rental assistance contracts are due to expire must apply for and if approved, accept rental assistance contract renewals. At its sole discretion, OHCS will consider modifications to the affordability requirements as it relates to the term or rent levels to the extent necessary for ongoing financial viability. At OHCS staff recommendation, other exceptions or modifications will be subject to review by the Director or Director's designee, with approval by the Housing Stability Council, and may include recapture of invested funding and appreciation.

F. Extended Use Agreement (REUA); Other Documents

As a condition of receiving an Allocation from OHCS, the Applicant must enter into an REUA satisfactory to OHCS, including executing and recording at its expense a follow-on declaration of restrictive covenants, and otherwise execute and, as required by OHCS, record other documents regarding the Project satisfactory to OHCS. The provisions of the REUA, including the declaration of restrictive covenants, will apply throughout the applicable "Affordability Period," which includes the initial fifteen (15) year compliance period and an additional "extended low-income use period".

G. Placed-In-Service Allocation Requirements

All LIHTC Applicants are required to complete a Final Application containing the required documentation. Any changes from the Equity Closing are subject to OHCS review and approval prior to the issuance of IRS Form 8609. It is expected that a Project with excess funds will return those funds to one or more of the public funders involved upon Project completion. Other OHCS resources will have a priority for return upon the determination of excess funds for the Project.

OHCS will accept and process Final Application documents and issue IRS Form 8609(s) throughout the year. Commercial costs should be separated from the Cost certification in an individual column, or deducted from the total Residential costs. In either circumstance, the Uses pages should identify both components of cost separately. However, a Project Owner must submit a complete application with all Placed-In-Service documentation, including the independent Certified Public Accountants Report (Cost Certification) and the certificates of occupancy for each building in the Project at least sixty (60) days prior to when they expect to receive the IRS Form 8609(s).

Upon completion of the Project, the Borrower will provide to OHCS an analysis of the breakdown of the bond-funded costs for the Project, to meet the federal tax requirements described in the Project's Tax Certificate and Agreement (or other similar document) in a form certified by an authorized representative of the Borrower (commonly referred to as a "Good Costs Certificate"), together with more detailed backup information as requested by OHCS and/or Bond Counsel.

VI. General Processes and Requirements

A. Project Changes

An Applicant must notify OHCS in writing of, and obtain its written consent to, any material change in a Project. An Applicant must notify OHCS when a material change is first identified. OHCS will endeavor to respond within thirty (30) days after notice of a material change with respect to its requested consent. OHCS may give or withhold its consent, or condition same, subject to its reasonable discretion. A "material change" includes, but is not limited to, a change in:

- The number of buildings or units.
- The Project contact person.
- The Identity of Interest disclosure.
- The Development Team.
- The Project's Total Project Costs.
- A financing source (whether debt or equity).
- Operating revenue or expenses for the Project of more than ten percent (10%).
- Anything that would result in a change in the standards OHCS uses to competitively rank Projects.

OHCS will determine whether or not a change in a Project is material. OHCS's materiality determination is final.

The request for approval of a material change in a Project must be submitted in writing and include a narrative description and other supporting documentation, plus the applicable revised pages of the Application. If OHCS grants the request, including as modified or conditioned, it may adjust the amount of the funding allocation to assure the sources and uses of the Project remain in balance.

B. Project Transfer or Assignment Requirement

Project Transfer or Assignment Requiring OHCS Consent

A Project transfer of assignment means any direct or indirect sale, contribution, assignment, lease, exchange, or transfer, or other change in:

- An interest in the land, the Project, or any building.
- An Ownership interest in the entity that is the Applicant or Project Owner.
- The rights, title, or interest of the Applicant or Project Owner in any agreement in which OHCS and the Applicant or Project Owner are parties.

The following transfers or assignments do not require the prior written consent of OHCS:

- The grant of a security interest or lien junior to the interest of OHCS.
- The issuance, redemption, or transfer of stock or shares of a corporation that is not a closely held corporation.

C. Process and Requirements for Obtaining OHCS's Consent

The first step in obtaining OHCS's written consent is to advise OHCS in writing of the proposed Project transfer or assignment. At a minimum the Applicant should describe: (i) the name of the Project; (ii) the names of the Applicant and/or the Owner, the proposed transferor and transferee, and all other relevant parties; (iii) a complete description of the proposed transfer or assignment, including the proposed effective date; and (iv) and special circumstances related to the proposed transfer or assignment.

After receiving the written request, Applicant will be advised of OHCS's requirements and conditions that must be satisfied in order to obtain consent, including payment of document preparation charges and applicable legal fees.

If the Applicant made a commitment to participate under the set-aside category for Qualified Non Profit, any transfer or assignment must be such that the Project continues to qualify for applicable set-aside.

D. Construction Closing

For 9% LIHTC transactions, the Applicant must give OHCS at least thirty (30) days' written notice of the scheduled Construction Closing. At least ten (10) days prior to the Construction Closing, but after the general contractor bids have been received, the Applicant must submit to OHCS the Project's final development budget, final sources of funds, and documentation to substantiate the final budget. For 4% LIHTC transactions, the Applicant must give OHCS the Project's final development budget, final sources of funds, and documentation to substantiate the final budget items ten (10) days prior to submission to OHCS Finance Committee for approval.

i. Cost Savings Clause

Construction contracts which include any provision for cost savings that are to be retained by the general contractor or split with the Project developer are not permitted.

E. Fees and Charges

The State of Oregon and OHCS may assess appropriate fees and other charges in order to administer and monitor the LIHTC program; these are specified in Appendix E and may change from time to time with a formal adoption by the Housing Stability Council.

F. Application Schedule and Deadlines

For 9% LIHTC OHCS will announce deadlines for receiving Applications by public notice to all interested parties registered on the Multi-Family technical advisory list kept by OHCS. Application materials may be obtained from OHCS's website at:

http://www.oregon.gov/ohcs/Pages/multifamily-housing-funding-opportunities.aspx

4% LIHTC application materials are available on an ongoing basis and can be found on the OHCS website at:

http://www.oregon.gov/ohcs/Pages/multifamily-housing-four-percent-application.aspx

G. Leasehold Interests

If the Applicant proposes a long-term lease in lieu of fee ownership of the real property of any part of the Project or related land, then the Owner of the land and such other real property and

holders of any liens or encumbrances with respect to the land or such other real property, must execute and record such additional documents as are satisfactory to OHCS.

H. Standardization and Sufficiency of Legal Documents

All Project approvals and funding are subject to the successful execution and recording of related documents satisfactory to OHCS and the Oregon Department of Justice (DOJ). If Applicant requests negotiation of any OHCS-required document including, but not limited to, requesting any changes to the documents or the inclusion of other documents, they must pay such charges as may be assessed by OHCS with respect to its reasonable legal and administrative costs with respect to such requests.

I. Department of State Lands (DSL) Wetlands Policy and Review

DSL will review all Projects for which funding is reserved by OHCS to determine whether or not regulated wetlands exist on the Project site. OHCS and the Applicant, if requested, will submit relevant documents to DSL. If DSL determines wetlands are present or likely to be present, Applicants must get a qualified wetland consultant's wetland compliance verification and boundary delineation for submission, review and approval by DSL. DSL may impose additional site or design requirements for the Project.

Applicants must provide tax lot numbers for the submission to DSL. OHCS has provided a space on the Environmental Review Checklist for this information. Include the tax lot number for every parcel of land in the Project. A failure to provide the tax lot number(s) will delay the DSL review process and may result, *inter alia*, in rescission of a Reservation or recoupment of any Disbursement.

J. Bureau of Labor and Industries (BOLI) Requirements

Funding recipients (Grantees) must comply with any applicable federal or state prevailing wage law. Applicants must contact BOLI for information on how prevailing wage laws may apply to the proposed Project. A BOLI determination letter will be required prior to construction closing on every project submitted to OHCS.

Prevailing wage laws may apply if all or part of the Project is deemed to be a public works Project. This determination may be made if the Grantee is a public agency, such as a housing authority, and the intent is to construct or contract for the construction of all or part of the Project with public funds.

The Project may be subject to state prevailing wages if the Applicant receives seven hundred fifty thousand dollars ($750,000) or more in public funds and the Project, *inter alia,* meets any of the following criteria:

- Less than sixty percent (60%) of the occupants have incomes less or equal to sixty percent (60%) of area median income;

- A Project building is more than four (4) stories high (unless there is a local building code exemption); or
- The overall Project includes portions, even if not constructed or contracted for construction by the Applicant, which may be deemed public works (i.e., a "mixed-use" Project).

At any time during development, any change in the Project could cause the coverage determination to be void. Applicants should request updated determinations from BOLI as necessary.

This notice does not constitute legal advice. OHCS is not responsible for the determination of prevailing wages status on Projects. OHCS encourages Applicants to have their attorney interpret BOLI rules as they apply to a specific Project. OHCS will not provide funding increases to fill gaps resulting from the Applicant's failure to budget for prevailing wage requirements. OHCS specifically reserves the right to revise its reservation of funds to a Project, rescind such reservation, or recoup allocated resources if any BOLI-related funding gap should obtain.

K. Historic Preservation

All Project Sponsors working with properties fifty (50) years old or older should consult with the State Historic Preservation Office to determine the historic significance of related buildings. If Project buildings are determined to be of historical significance, OHCS encourages preservation of the historic elements in the most efficient and effective manner possible. The State Historic Preservation Office can be reached at:

State Historic Preservation Office
725 Summer St. NE. Suite C
Salem, OR 97301

L. Consistency with State Consolidated Plan

OHCS is required to develop a comprehensive state plan for low-income Oregonians (OAR 456.572). OHCS has adopted the state and local Consolidated Plans as its comprehensive state plan. All Projects must be consistent with the state and local Consolidated Plans at the time the Application is submitted.

VII. Considerations

A. Reservation of Rights

i. **Documentation of Discretion**

OHCS may, at its sole discretion, award credits in a manner not in accordance with the requirements of the Qualified Allocation Plan. If any provision of this Qualified Allocation Plan (and documents included herein by reference) is inconsistent with the provisions of

amended IRC Section 42, or any existing or new State Laws or State Administrative Rules governing the LIHTC program, the provisions of IRC Section 42, State Laws or State Administrative Rules take precedence over the QAP.

ii. **Policy on Exceptions / Waiver Requests**

All OHCS policies other than those mandated by Section 42 are considered as guidelines and may be waived. A written request for a waiver or exception, accompanied by justification, may be submitted to OHCS. QAP waivers will be documented for all Projects and regular periodic publications of waivers will identify the applicant, the QAP provision waived, and the reason for waiver. In addition, the summary for Projects recommended for funding may identify and explain waivers granted for any Projects listed.

At least 30 days prior to the construction/equity closing date for Applications, Applicants, lenders, or syndicators must request a waiver or exception to a policy in writing with a full justification. Furthermore, OHCS reserves the right to waive any provision or requirement of the QAP that is not stipulated in IRC Section 42 in order to affirmatively further fair housing.

If OHCS acts contrary to or fails to take action in accordance with this Plan or any other Program Requirement, such act or omission does not constitute a waiver by OHCS of a Project, person, or other entity's obligation to comply with the provisions of this Plan, other Program Requirements, or establish a precedent for any other Project, person or entity. In any event, no waiver, modification, or change of OHCS Program Manuals, or any other Program Requirement will be binding upon OHCS unless it is in writing, signed by an authorized agent of OHCS, and consistent with law.

iii. **Partial Invalidity**

If any provision of this QAP, or the application of this Plan to any person or Project, is found by a court to any extent to be invalid or unenforceable, the remainder of this Plan, or the application of that provision to persons or circumstances other than those with respect to which is held invalid or unenforceable, shall not be affected. Each provision of the Plan shall be valid and enforceable to the fullest extent permitted under or federal law.

iv. **Disclaimer**

Issuance of a LIHTC reservation pursuant to a Reservation and Extended Use Agreement, an LIHTC Carryover Allocation (Carryover) or placed in service allocation as indicated by the IRS Form 8609 by OHCS, shall not constitute or be construed as a representation or warranty as to the feasibility or viability of the Project, or the Project's ongoing capacity for success, or any conclusion with respect to any matter of federal or state income tax law. All LIHTC allocations are subject to the IRS regulations governing the LIHTC program, and Sponsors are responsible for the determination of a Project's eligibility and compliance. If statements in this QAP are in conflict with the regulations set forth in IRC Section 42, the IRC regulations shall take precedence. While this QAP and the applicable

NOFA governs OHCS's process of allocating LIHTC, Sponsors may not rely upon this guide or OHCS's interpretations of the IRC requirements.

No executive, employee or agent of OHCS, or of any other agency of the State of Oregon, or any official of the State of Oregon, including the Governor thereof, shall be personally liable concerning any matters arising out of, or in relation to, the allocation of LIHTC, or the approval or administration of this QAP.

Lenders and investors should consult with their own tax or investment counsel to determine whether a Project qualifies for LIHTCs, or whether an investor may use the LIHTCs, or whether any Project is commercially feasible.

B. Public Comment Requirements for the QAP and Amendments

Pursuant to ORS 456.555(6) (a), the State Housing Council or Housing Stability Council (Council), with the advice of the Director of OHCS, sets policy and approves or disapproves rules and standards for housing programs of OHCS. The Council, together with OHCS, reviewed the QAP contained herein and recommended it for the Governor's approval. After approval of the QAP, OHCS may make minor and technical amendments to this QAP when changes are necessary to administer the LIHTC Program to effectively serve Oregon's low-income housing needs, and to conform with amendments to IRC Section 42 Regulations and OHCS goals. Prior to the issuance of any amendment to this QAP, OHCS will issue a public notice in accordance with Oregon Public Meeting Law to allow for public comment. OHCS may adopt any amendments for which it has issued adequate public notice.

C. Correspondence and Submittals

All correspondence and submittals to OHCS pursuant to this Plan shall be in writing and delivered to:
LIHTC Program Manager
Oregon Housing and Community Services
725 Summer St. NE, Suite B
Salem, OR 97301-1266

D. Violations

OHCS may exercise any of the Remedies described below if:

- The Applicant fails to comply with any Program Requirement including, but not limited to, the timely payment of charges and fees and the execution and recording of documents satisfactory to OHCS;
- OHCS determines the Applicant or other Program participant made a material misrepresentation, directly or by omission;

- OHCS determines the Applicant or other Program participant is debarred from accessing Program resources or otherwise is not a qualifying Applicant; or
- The Applicant, Owner, or other Program participant otherwise defaults with respect to any Program Requirement or obligation to OHCS.

OHCS will have no duty, obligation, or liability to the Applicant, the lender, the tax credit investor, or other related Program participant for exercising such remedies. Applicant and related Program participants, including lenders and tax credit equity investors, expressly waive any claims, causes of action or other remedies against OHCS with respect to a disqualification, cancellation, or modification as described above as a condition of Applicant's filing of its Application or their participation in the Program.

E. REMEDIES

In the event of any failure to adhere to the terms of this Plan, including as described above (Violation), OHCS may elect to pursue any and all remedies available to it under the Program Requirements, including executed documents, or otherwise available to it at law. These remedies include, but are not limited to:

i. Cancellation of an Application.
ii. Revocation or modification of an Allocation Credit or other award of OHCS resources.
iii. Debarment of person or entity from accessing OHCS Programs.
iv. Recoupment of allocated or disbursed resources.
v. Specific enforcement.
vi. Actions for general, specific or punitive damages.
vii. Appointment of a Project receiver.
viii. Foreclosure of secured interests or otherwise.

Furthermore, OHCS may, and specifically reserves the right to, modify, waive, or postpone any created restrictive covenants or equitable servitudes with respect to the Project or any part thereof.

Nothing in the Program Requirements is intended, or shall be construed, to create a duty or obligation of OHCS to enforce any term or provision of the Program Requirements or exercise any remedy on behalf of, at the request of, or for the benefit of, any former, present, or prospective resident. OHCS assumes no direct or indirect obligation or liability to any former, present, or prospective resident for violations by the Applicant, Owner or any other Program participant.

F. EFFECTIVE DATE

This Qualified Allocation Plan shall be effective upon its approval and execution by the Governor.

VIII. GENERAL GLOSSARY OF TERMS

Allocating Agency:	State Housing Credit Agency (aka Housing Finance Agency)
Allocation Criteria:	These are the standards by which OHCS will competitively rank Projects in a NOFA funding round.
Allocation Authority Year:	The year in which the tax credit allocation begins its two (2) year allocation period.
Annual Tax Credit Allocation:	The amount of annual tax credit allocation for a Project. The credit is available annually to the Sponsor for a period of ten (10) years. The amount of credit cannot exceed what OHCS deems necessary for the Project's financial feasibility, or the amount the Project is eligible to receive.
Application:	This means the all required Exhibits and Forms, if any, submitted by an Applicant for a Project.
Applicant:	This means the party that submits an Application to OHCS for a Credit reservation including its successors in interest.
Award:	This is a stage when a reservation is funded after meeting all conditions of the Reservation Letter. Projects that convert to an award will be offered an allocation at the end of the year in which the allocation of credits belongs.
Carryover:	The process whereby a 9% LIHTC allocation recipient can request an extension of its Placed in Service requirements for one (1) year.
Carryover Allocation:	The amount of tax credits approved for carryover.
Code or IRC:	These are the rules and regulations of Section 42 of the Internal Revenue Code.
Compliance Period:	This is the period of fifteen (15) taxable years beginning with the first year of a building's ten (10) year "credit period." In addition, each building must have an extended low-income housing commitment which requires, at a **minimum**, a fifteen (15) year extended use period that begins on the first day of the compliance period and ends fifteen (15) years after the close of the compliance period.

Construction Closing:	Typically, this is the stage in the funding process when all conditions of the Reservation Letter are satisfied and the Project is ready to commence construction.
Credit Period:	The period of ten (10) taxable years beginning with the taxable year in which the building is placed-in-service or, at the election of the Sponsor, the succeeding taxable year, but only if the building is a qualified low-income building at the close of the first year of the period. The credit period for the acquisition of an existing building may not begin until the first year of the credit period for the rehabilitation expenditures for that building.
Development Team:	This means the Applicant, the developer, the Project management consultant, the general contractor and includes all persons or organizations materially involved in the acquisition, construction, rehabilitation, development, or improvement of the Project.
Equity Closing:	Same as Construction Closing. Typically, this is the stage in the funding process when all the conditions of the Reservation Letter are satisfied and the Partnership Agreement is completed.
Extended Use Period	For LIHTC, an Extended Use Period by code is an additional fifteen (15) years beyond the initial compliance period, for a total period of at least 30 years. An affordability period on current projects will typically be longer at 60 years at a minimum.
Federally Subsidized Building:	A building is federally subsidized if it is financed by federal tax-exempt bonds or federal funds.
Geographic Regions:	These are the three (3) areas of the state (Metro, Non-Metro HUD HOME Participating Jurisdictions, Balance of State) that are grouped for the purpose of identifying needs and allocating funds to Projects through the NOFA Process.
Identity of Interest:	Identity of Interest means a financial, familial, or business relationship that permits less than arm's length transactions. For example: Related Parties; persons, entities, or organizations Affiliated With or Controlled By or In Control Of another; existence of a reimbursement program or exchange of funds; common financial interests; common officers, directors, stockholders, or managers; or family relationships between officers, directors, or stockholders.
LIHTC:	Low Income Housing Tax Credits (aka LIHTC, LIHC or Tax Credits).

NOFA:	The Notice of Funding Availability (NOFA) is a uniform set of requirements for Sponsors to apply and compete for Program funds in a specific funding cycle.
NOFA Funds:	The collective name of the amounts of tax credits, grants or loans requested in a NOFA from various Programs to finance a Project.
Noncompliance:	Noncompliance means a failure to meet any covenant, condition or term of any agreement between the Applicant or Project owner (including their officers, employees, agents, and assignees) and OHCS, a failure to meet the requirements of IRC Section 42 of the Code, or failure to meet any other Program requirements from which a Project received funding.
OHCS:	The section of Oregon Housing and Community Services that is responsible for the funding and administration of the LIHTC, HOME and related affordable housing Programs.
Oregon Administrative Rules:	The Oregon Administrative Rules (OARs) are the principles by which OHCS administers the LIHTC Program that are approved from time to time through the State Administrative rule process.
Preservation (9% set-aside)	Projects where at least twenty-five percent (25%) of the units have federal Project-based rent subsidies, and the Section 8 contracts are expiring; or the USDA Rural Development loans are maturing within ~~5~~ 7 years; or the USDA Rural Development restrictive use covenants have expired; or the Project needs recapitalization, per capital needs assessment, of at least $30,000 per unit; or Projects with public housing units undergoing a preservation transaction involving a comprehensive recapitalization.
Preservation (Developer fee)	Projects where at least twenty-five percent (25%) of the units have federal Project-based rent subsidies; or the Project needs recapitalization, per capital needs assessment, of at least $30,000 per unit; or Projects with public housing units undergoing a preservation transaction involving a comprehensive recapitalization.
Placed-In-Service:	This is the date for a new or existing building on which the building is ready and available for its specifically-assigned function. This is usually the date the first unit in the building is certified as being suitable for occupancy under state or local law. Substantial rehabilitation expenditures are treated as Placed-In-Service at the close of any twenty-four (24) month period over which the expenditures are aggregated, or a shorter timeline when appropriate.

Principal(s):	This means: (1) with respect to a Project owned by a partnership, the partners; (2) with respect to a Project owned by a limited liability company, the members and managers; and (3) with respect to a closely-held corporation, the shareholders.
Program Funds:	The amount of grant funds or tax credit allocation identified in a specific Program to finance a Project or Projects.
Program(s):	A Program is a specific source of state or federal funds subject to a set of required codes or statutes that provide a methodology to award funds to the public for the development of affordable housing Projects.
Program Limits:	These are the financial limits set by regulation and OHCS on the amount of debt service, LIHTCs, loan amounts, construction contingency, developer fee, eligible basis, contractor's profit and overhead, and basis boost allowed per Project in the LIHTC Program.
Program Requirements:	All terms, conditions, covenants, or other obligations of a Applicant or Owner (including through their officers, employees, contractors, agents, and assignees) with respect to a Program from which funding is sought or provided with respect to a Project, including as contained in relevant statutes, regulations, administrative rules, manuals, codes, OHCS directives, policies, applicable documents, or otherwise.
Project:	A low-income multifamily housing development for which funding, in whole or in part, is sought from or obtained from OHCS, normally including related land and amenities.
Project Need Severity:	This is the need for a Project in a community as measured by evaluating the affordable housing gap in the county or city, the rate of population growth in the county comparison to the state, the age of the rental housing in the county, the rate of severe rent burden in the county or city in comparison to the state.
Qualified Allocation Plan (QAP):	The plan, required by IRC Section 42 Code, signed by the Governor, which establishes the process and policies by which OHCS will allocate Tax Credits to qualified Projects.
Qualified Nonprofit Organization:	This is an organization described in IRC Section 501(c)(3) or 501(c)(4) that is exempt from federal income tax under IRC Section 501(a) if OHCS determines the organization is not affiliated with or controlled by a for profit organization and an exempt purpose of such organization includes fostering low-income housing.

Related Entity/Person:	These include, but are not limited to: (1) members of a family; (2) a fiduciary and either a grantor or a beneficiary of a trust; (3) a party and a federally tax-exempt organization that the party, or members of the party's family, controls; (4) a party and either a corporation or a partnership in which the party has more than a fifty percent (50%) interest; (5) two (2) business entities, either corporations or partnerships, where a party has more than a fifty percent (50%) interest in each; (6) two (2) corporations that are members of the same controlled group; and (7) two (2) parties engaged in trades or businesses under common control.
Reservation Letter:	When a Project is selected to receive a reservation of Program Funds, the award is documented in a Reservation Letter aka the "Reservation". The Reservation Letter is a form of conditional commitment whereby the state agrees to fund an award when a Sponsor has completed all the requirements listed in the Reservation Letter.
Reservation and Extended Use Agreement (REUA):	This is a legal agreement that contains the terms and conditions of the obligatory period of affordability and chosen rent and income levels, which are incorporated by reference into the recorded Declaration of Land Use Restrictive Covenants. The LIHTC Declaration is recorded after Project completion.
Reservation Period:	The maximum time frame allowed for fulfilling all the terms and conditions of the Reservation Letter.
Regulatory Agreement:	This is any and all agreements establishing Project operating obligations and standards including, but not limited to, restrictive covenants and equitable servitudes. It is commonly called a "Declaration" or "LURA" (Land Use Restrictive Agreement).
Sponsor:	The organization or entity that applies for funding for a Project from OHCS.
Underserved Area:	This is a Region, county, city whose existing affordable housing are identified as underfunded relative to its affordable housing need
Visitability:	This means that a Project is able to be approached, entered and used by individuals with mobility impairments including, but not limited to, individuals using wheelchairs.

IX. APPENDICES

APPENDIX A:

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I. Overview

The Department supports the development of quality affordable housing that is well designed, safe, supports and improves upon the aesthetics and living environment of the community, empowers and enhances the self-esteem of the residents it houses and serves, and contributes positively to the quality of life in Oregon.

Meeting this goal of creating and preserving quality affordable housing projects require careful design, material selection and oversight by all members of the project development and design team as well as the engagement of highly skilled and knowledgeable construction professionals during the project's construction phase. Careful preparation of the materials required for application is a critical initial step in the development of successful affordable housing projects.

II. Projects Involving Rehabilitation of Existing Structures

Note: For projects that also involve new construction or major exterior modifications to an existing structure, the application submission requirements given under part III of this Appendix A are also required

a) Submission Requirements

Capital Needs Assessment

All Applications for rehabilitation projects must include a professional, independent, third party Capital Needs Assessment (CNA).

For NOFA Projects, unless stated otherwise, the CNA must be less than twelve (12) months old at the time of application, so that if the Project is awarded funds the CNA will be within eighteen (18) months at the time of closing.

For 4% LIHTC Projects, the CNA must have been completed prior to eighteen (18) months of construction closing.

The CNA must address the following components:

1. **Critical repair items:** All health and safety deficiencies, or violations of Housing Quality Standards (or Uniform Physical Condition Standards), requiring immediate remediation.
2. **Two (2) year physical needs:** Repairs, replacement and significant deferred and any other maintenance items that need addressing within twenty-four (24) months of the date of the report.

- Include any necessary redesign of the Project and market amenities needed to restore the property to a reasonable standard of livability.
- Include these repairs in the development budget and fund with construction-period fund sources.

3. **Long term physical needs:** Repairs and replacements beyond the first two (2) years required to maintain the Project's physical integrity over the next thirty (30) years, such as major structural systems that will need replacement during that period. These repairs are to be funded from the Replacement Reserves Account.

4. **Analysis of reserves for replacement**: CNA's must include a thorough analysis of reserves for replacement, including an estimate of the initial and on-going monthly deposit into the Replacement Reserve needed to fund on-going physical needs and the expected useful life of major building systems. This analysis must not include the cost of critical repair items, two (2)-year physical needs or any work items treated as normal maintenance or repair expense.. The exact amount of the required reserves may vary depending upon the extent of the rehabilitation targeted and the age and condition of the remaining components, subject to the Department's discretion

The Department will require that the scope of rehab addresses recommendations in the CNA satisfactory to OHCS. OHCS would be looking to have health and safety issues addressed at rehab and that other nonfunctioning elements that need to be replaced or maintenance required be addressed either at rehab or be part of a plan to address at unit turnover. OHCS has a preference that the minimum rehab investment be $30,000 per rental unit. If Less than One Hundred Percent (100%) of the Units Have Been Inspected:

- The CNA must include an explanation that includes any assumptions about areas that were not inspected and the reasons for making those assumptions.
- The CNA must be the basis from which the scope of work for the project has been developed and the basis on which any capitalized or annual contributions to the replacement reserves are based.
- Such other information as the Department may require.

III. <u>Projects Involving New Construction and/or Major Exterior Modifications</u>

Note: For projects that also involve rehabilitation of an existing structure, the application submission requirements given under part II of this Appendix A are also required

a) Submission Requirements

The following preliminary development related documentation is required at the time of application only when the project proposes any new construction or building development or involves significant changes to the exterior character of an existing building.

1) Vicinity Map

Indicating the location of the site and amenities important to the residents such as groceries, schools, parks, activities on adjacent properties (e.g. single family dwellings, commercial retail etc.), and public transportation. If appropriate, the same vicinity map required in the environmental review checklist may be used.

2) Context Photos

Showing the property and adjacent properties. Indicate on the vicinity map where the photographs were taken. If the site varies in slope, submit photographs showing the extent and nature of the sloped areas. If photocopy photos are taken, include original photos in the original application and copied photos in the application copies.

3) Preliminary Site Plan

Showing early development related intent for the project. The site plan must include the following information:

i. Drawing Scale (1"=40' minimum) and North Arrow.
ii. Property Lines
iii. Land-use (zoning) designation(s) including any applicable special overlay zones.
iv. Special environmental conditions such as "wetland" areas.
v. Identification all known easements, encroachments and adjacent land uses
vi. Site contours or, at a minimum, spot elevations at the corners of the property and each side of all proposed and existing buildings and showing preliminary grading including drainage away from buildings.
vii. Site features such as existing structures to be removed, trees or hedges to be retained and general areas of new plant materials, with other site features.
viii. All buildings with unit front entries indicated.
ix. All paved surfaces and site lighting, if determined.
x. Any fencing at perimeter of site and between units and buildings.
xi. Mechanical and electrical equipment such as transformers, if determined.
xii. Trash holding areas, if known.

IV. OHCS Project Guidance & Oversight

a) Project Development Manual; Architectural Guidance and Standards

The Department has established a set of design and construction standards to aid project stakeholders in the process of developing quality affordable housing in keeping the Department's mission and vision. These standards are presented in detail in the Department's Project Development Manual (PDM) which will be posted to the OHCS website in conjunction with any NOFA application. Principally, the standards encourage and direct project stakeholders in the use and integration of industry best practices in all aspects of the planning, design and construction process.

b) Design of Quality Affordable Housing

The design of quality affordable housing requires skillful integration of many disparate design factors and principles. The following list outlines some of the major design elements that will need to be carefully

integrated during the design phase of the project to meet the design standards established by OHCS. The elements listed below are described in more detail in the OHCS Project Development Manual.

1) Site, Building, and Dwelling Unit Design Standards
2) Indoor and Outdoor Environments
3) Land-Use and Building Code Requirements
4) Sustainable "Green" Design and Construction Standards*
5) Accessibility Standards and "Visitabity"
6) Material Selection and Building Envelope Best Practices
7) Durability & Maintenance
8) Health & Safety

Applicants may choose from the Enterprise Green Community, Earth Advantage Homes, LEED Certification in addition to other OHCS identified paths.

c) Compliance and Department Oversight

Once a project receives a funding reservation from OHCS (Qualifying Project), the Department may be required by the Program rules to review project documents during the planning and design phases of the project and/or to perform inspections during the project's construction phase. Alternatively, OHCS also reserves the right to review project documents and to perform inspections of the construction work on any project funded by OHCS even where a Program does not necessarily direct the Department to do so. Although such reviews and inspections are important to ensure compliance with Program and Department requirements, OHSC's primary objective in undertaking project oversight activities is to support the development team by maintaining Program and Affordable Housing related expertise on the project for the full period of its development.

APPENDIX B:

LIHTC MARKET ANALYSIS & APPRAISAL

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I. OVERVIEW:

A complete market analysis following OHCS Market Analysis Guidelines must be submitted for approval within 90 days following the date of the Reservation Letter for 9% LIHTC and are due at application for 4% LIHTC. Accommodation of this requirement may be provided in writing by OHCS if the construction or permanent lender orders a FIRREA compliant appraisal naming OHCS as an intended user and includes a market analysis prepared in compliance with OHCS Guidelines.

The market analysis must satisfy the requirements of this section, and Section 42 of the Code. An independent third party analyst, using generally accepted principles and theory, must prepare the market analysis. The analyst must be included on the OHCS list of approved providers. The analyst must have demonstrated experience in the proposed Project's market area and with the rent-restricted market. The rental analysis section included in the market analysis report must be completed by a State Certified General Appraiser.

A previously prepared market analysis must have an effective date no more than six (6) months prior to the Reservation Letter date. "Updates" of older market analyses will not be accepted since an "update" is actually considered a new assignment.

OHCS will accept a recent FIRREA appraisal with an effective date of no more than six (6) months prior to the date of the Reservation Letter in lieu of the required market analysis provided the market analysis and rent discussion sections include the information detailed in the OHCS Market Analysis Guidelines.

Deadlines for delivery of an appraisal to OHCS:

- 9% LIHTC programs– Acceptable appraisals must be received within ninety (90) days of Reservation Letter.
- 4% LIHTC program – Acceptable appraisals must be received as soon as available, but no later than ninety (90) days prior to construction close.

II. MARKET ANALYSIS AND APPRAISAL GUIDELINES:

In order to allow OHCS to determine the eligible basis of either the existing or new construction "improvement/buildings" in a project, an appraisal prepared in conformance with Oregon Statutes, FIRREA standards and OHCS policy is required.

- FIRREA standards require that appraisals must be ordered by the lender or other insured financial institution - which must define the purpose of the appraisal and provide guidance to the appraiser as to the bank or financial institution requirements - and the bank or financial institution must engage the appraiser, who cannot be related in any way to the seller or buyer.
- For Projects that currently have restricted rents, the appraisal must include an "As is" Restricted Rent Value.
- For Projects that currently receive or will receive at time of sale "project based" subsidy, the appraisal must include an "as is" restricted rent value taking into consideration the subsidy that is generally marked to market.
- For Projects that do not currently have restricted rents, the appraisal must include an "as is" Market Rent Value.
- In all appraisals an "as is" Market Value for land must be included that reflects all restrictions on the land.
- OHCS must be named as an intended user and permission granted to OHCS to discuss the report with its preparer.

To avoid delays or additional costs to the borrower, it is suggested that the Requestor obtain OHCS's approval of the scope of work in the letter of engagement before the appraiser is engaged.

The market analysis must demonstrate to OHCS the Project is creating, preserving, or renovating housing that current market forces are not addressing. In addition, the market analysis must address current market conditions and determine the Project is viable and provides units at below-market rents or provides some other public benefit.

Note that acquisition/rehab guidelines somewhat differ from new construction guidelines.

At OHCS's discretion OHCS may require further market support of the Project, or accept a market analysis in a different format. Any deviation from the market analysis Guidelines must be approved in writing by OHCS prior to submission of the report. OHCS reserves the right to contact the market analyst as needed.
The list of approved providers may be found on the OHCS website at:

http://www.oregon.gov/ohcs/HD/HRS/LIHTC/ApprovedMarketAnalystsList.pdf

You may also contact OHCS's Multi-Family Housing Finance Section.

III. MARKET ANALYSIS COMPONENTS:

All market analyses should include the following summarized sections as well as the more detailed Market Analysis Guidelines:

1. Report Title Page
2. Letter of Transmittal
3. Table of Contents
4. Executive Summary
5. Photographs of Project
6. Assumptions and Limiting Conditions
7. Scope of the Assignment
8. Regional Analysis
9. Primary Market Area (PMA) Analysis
10. Site Description & Analysis
11. Improvement Description & Analysis
12. Target Market Identification
13. Demand Analysis
14. Supply Analysis
15. Reconciled Estimate of Marginal Demand
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17. Conventional Market-rate Rents
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APPENDIX B:

PROJECT MONITORING

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I. OVERVIEW

As the authorized allocating agency for the State of Oregon, the Department is responsible for monitoring the property for compliance with Section 42 of the Code, IRS and Treasury regulations (rulings, procedures, decisions and notices), the Fair Housing Act, State laws, local codes, Department loan or regulatory documentation, and any other legal requirements. The Department may adopt and revise standards, policies, procedures, and other requirements in administering the tax credit program. Owners must comply with all such requirements if implemented after the QAP is approved.

The Department is responsible for establishing compliance monitoring procedures and must report noncompliance to the IRS. Monitoring each project is an ongoing activity that extends throughout the extended use period (a minimum of 30 years). Projects with funding sources obtained from the Department, in addition to the credits, will be monitored for the most restrictive requirements of all combined programs. Owners must be aware of the differences in program regulations. The Department's

Compliance Manual is incorporated via reference and may be found at
http://www.oregon.gov/ohcs/Pages/compliance-monitoring-manual-lihtc.aspx

The Department may perform an on-site review of any building in the Project, interview residents, review residents' applications and financial information, and review an Owner's books and records relating to the Project consistent with law as it determines to be appropriate. A Project must provide the Department reasonable access to the Project and its books and records and reasonably cooperate in all such compliance monitoring. In connection with its obligation, an Owner must take all action as may be reasonably necessary to allow the Department to inspect housing units occupied by residents.

II. ASSET MANAGEMENT AND COMPLIANCE

Asset management will evaluate Risk and assess monitoring requirements based on a review of the following elements for compliance:

- Most recent rating received for management review;
- Physical inspections;
- Tenant file review;
- REAC scores;
- Submission of required reporting including financial audits and certification sof program compliance (CCPC's);
- Owner and management cooperation with reporting and communication;
- Need or outcome for a community evaluation within the last year

III. COMPLIANCE MONITORING PROCESS

A. The Compliance Monitoring Process is based upon the following components:
   i. IRC Section 42 and the promulgated regulations in the Oregon Administrative Rules for the LIHTC program
   ii. Qualified Allocation Plan for projects with Building Identification Numbers (BIN) beginning with OR90
   iii. Department's Compliance Manual
   iv. Declaration of Land Use Restrictive Covenants in effect for all projects.

B. In addition, the following conditions/criteria are met:
   i. Each low-income unit in the project is rent restricted.
   ii. Each building in the project is suitable for occupancy, considering local health, safety, and building codes (or other habitability standards); and, the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low-income unit in the project. Additionally, all low-income units have been continually occupied, vacant but rent ready or vacant for redecorating and/or minor repairs for a period of less than 30 days, throughout the reporting period.
   iii. No tenants have been evicted for other than good cause.

IV. COMPLIANCE STATUS TRACKING

The Department uses the monitoring policy to track Owner compliance with Section 42 and the Department's requirements. Issues tracked and recorded include, but are not limited to, the following items:

1. Any IRS Form 8823 events as a result of monitoring
2. Owner compliance with Department-required reporting deadlines
3. Performance of management agents employed by the Owner
4. Fair Housing violations

V. OWNERSHIP, MANAGEMENT PLANS AND QUALIFICATIONS

The Department reviews all changes in Ownership and/or Management Agent. Department policy requires notice sixty (60) days prior to any change. The Owner submits the proposed new Management Plan and qualifications to Asset Management, satisfactory to the Department. Management agents and/or Owners are responsible to comply with LIHTC program requirements demonstrated by prior LIHTC experience or current relevant LIHTC training and certification.

VI. ANNUAL OWNER CERTIFICATION REPORTING AND MONITORING

Annual certification of continuing compliance is due February 28th of each year.

A. Monitoring of a project will occur as follows:
   i. An on-site inspection of all buildings in a project will occur by the end of the second year following the date the last building is placed in service. This review will include a physical inspection and a review of the low-income certification and documents supporting the certification for at least 20 percent of the tenants,
   ii. Then, at least once every three years, the Department will conduct an on-site inspection of each building exterior and all common areas in a project and will review tenant files and complete a physical inspection of at least 20 percent of the project's low-income units.
B. When a project is scheduled for review, the Department shall:
   i. Perform the on-site file, property, and unit inspections. File inspection may occur electronically. Uniform Physical Condition Standards (UPCS) are adopted as the physical inspection protocol for the Department.
   ii. Inform the Owner as soon as possible of any finding of non-compliance resulting from the inspections.

VII. INSPECTIONS

The Department reserves the right to delegate physical property and unit inspections to third parties in accordance with Oregon or Federal Streamlining Compliance processes.

VIII. LIABILITY

Compliance with the requirements of Section 42 and state regulation is the responsibility of the Owner. The Department is not liable for an Owner's non-compliance.

IX. CORRECTION OF NON-COMPLIANCE CONDITIONS

The Department provides written notice of non-compliance to the Owner if:

1. The Annual Certification Report and attachments are not received by the due date.
2. The project is found to be out of compliance, through inspection, review or other means, with the provisions of IRC Section 42 or state regulations. The Owner will have thirty (30) days from the date of notice to supply any missing information for the Annual Certification Report and correct any non-compliance issues. The Department may grant an extension of up to ninety (90) days. At the end of the allowable correction period, the Department is required to file IRS Form 8823, "Low Income Housing Credit Agencies Report of Noncompliance," with the IRS. All non-compliance issues are reported whether corrected or not. The Department will explain the nature of the non-compliance or failure to certify and whether the non-compliance has been corrected. The IRS will make any determinations as to the applicability of recapture penalties, not the Department.

X. NON-COMPLIANCE REQUIRING ADDITIONAL DEPARTMENTAL STAFF TIME

The scope of non-compliance detected during any monitoring activity will be evaluated by the Department. At its discretion, the Department may expand the audit sampling for additional review. This expansion could extend to 100 percent of the units and/or files deemed to have noncompliance issues. The Department reserves the right to require the Owner to hire a third party auditor acceptable to the Department, at the Owner's expense, to complete corrective action related to non-compliance.

The Department may request other items to assess project status including, but not limited to:

1. Audited annual financial statements
2. Annual operating statements showing actual income and expenses as they relate to the real property
3. Documentation that all State requirements are met

XI. ACQUISITION/REHABILITATION TENANT CERTIFICATION POLICY

Projects that receive an allocation of credits for both acquisition and rehabilitation are not required by the Department to complete tenant certifications for both sets of credits for the same households. Owner may choose to complete a rehab certification as well.

Starting at initial lease-up, the Department may request, from the Owner, compliance reports identifying low-income occupancy for each building in a project. The reports should reflect month-end information for each month of the first year of the credit period. The reports will identify each unit, all adult tenant names in each unit, and the income level at move-in or initial certification. Additional information may be requested.

XII. FEDERAL FAIR HOUSING ACT

1. OHCS Responsibility: On receipt of notifications from HUD or DOJ, the Department will file a Form 8823 with the IRS noting the potential violation, and notify the owner in writing. The Department will report potential Fair Housing Act violations discovered during their compliance

monitoring activities to the HUD Regional office, or other fair housing enforcement agencies as appropriate.

The Department is responsible for monitoring Fair Housing violations including Affirmative Fair Housing marketing plans, if required, and fair housing complaints.

2. IRS Responsibility: The IRS will send a letter to the Owner notifying them that a finding of discrimination will result in the loss of low-income housing tax credits.

XIII. HOUSING AND ECONOMIC RECOVERY ACT (HERA) OF 2008 DATA COLLECTION

To the extent required by federal law, the Owner/Agent will assist the Department with meeting federal reporting requirements by collecting and submitting information annually concerning the race, ethnicity, family composition, age, income, disability status, monthly rental payments, and use of rental assistance under section 8(o) of the United States Housing Act of 1937 or other similar assistance, of all low income households.

XIV. RECORDKEEPING AND RECORD RETENTION

1. Recordkeeping: The Owner of a low-income housing project must keep records for each building in the project for each year of the term of the Regulatory Agreement (Extended Use Agreement):
   a) The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit);
   b) The percentage and number of residential rental units in the building that are low- income units;
   c) The percentage and number of residential rental units in the building that are subject to the additional low-income unit set-aside requirements;
   d) The percentage and number of residential rental units in the building that are subject to the special-needs unit set-aside requirements;
   e) The rent charged for each low-income unit in the building (including any utility allowances);
   f) The number of occupants in each low-income unit;
   g) The number of occupants in each residential rental unit in the building that is subject to a special-needs unit set-aside requirement related to household size;
   h) The low-income unit vacancies in the building and information that shows when, and to whom, the next available units were rented;
   i) The vacancies of any additional low-income set-aside units in the building and information that shows when, and to whom, the next available units were rented;
   j) The vacancies of any special-needs set-aside units in the building and information that shows when, and to whom, the next available units were rented;
   k) The initial annual income certification of each low-income resident and any recertification of income that is required;

l) Documentation to support each low-income household's income certification;
m) Documentation to support that each household that is subject to a special-needs unit set-aside for such special-needs unit set-aside or commitment;
n) The eligible basis and qualified basis of the building at the end of the first year of the credit period;
o) The character and use of the nonresidential portion of the building included in the building's eligible basis under Section 42(d) of the Code; and
p) The date that a resident initially occupies a rental unit and the date that a resident moves out of a rental unit.
q) The Owner shall also keep such additional records throughout the term of the Regulatory Agreement (Extended Use Agreement) necessary or appropriate to demonstrate compliance with the Code, the tax credit program and the Owner's commitments and obligations under the tax credit program contracts, including the Regulatory Agreement (Extended Use Agreement).
r) Other non-optional charges
s) Federal Rent Restirction
t) Deeper non-Federal Rent Restriction
u) Current LIHTC Rent Limit
v) Federal Rent Assistance
w) Source of Federal Rent Assistance
x) Non-Federal Rent Assistance

2. Record Retention: The Owner of a low-income housing project must, during the term of the Regulatory Agreement (Extended Use Agreement), retain the records described above: (i) for at least six (6) years after the due date (with extensions) for filing the federal income tax return for that year; and, (ii) with respect to any year for which an income tax return is not filed or does not reflect the Credit for such project, for at least six (6) years after the end of that year. The records for the first year of the credit period as defined under Section 42(f)(1) of the Code, however, must be retained for at least six (6) years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period as defined under Section 42(i)(1) of the Code with respect to a building in the project.

   Except as otherwise provided, the Owner of a low-income housing project must, during the term of the Regulatory Agreement (Extended Use Agreement), retain the original local health, safety, or building code violation reports or notices that are issued by any state or local government unit.

XV. Certification and Review Provisions:

Certification:

A. The owner of a low-income housing property must certify to the Department that the project meets the minimum requirements of:

1. 20 – 50 test under Section 42(g)(1)(A) of the Code; or 40 – 60 test under Section 42(g)(1)(B) of the Code.
2. There has been no change in the applicable fraction (as defined in Section 42 (c)(1)(B) of the Code) for any building in the project.
3. For 100% LIHTC properties, the owner has received a Tenant Income Certification at initial occupancy and at the first-year anniversary along with third-party documentation to support each certification. OR for Properties that are not considered to be 100% LIHTC, the owner has obtained a Tenant Income Certification from each low-income household at initial occupancy and annually, along with third-party documentation to support each certification.
4. Each low-income unit in the property has been rent-restricted under Section 42(g)(2) of the Code.
5. All low-income units in the property are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42 (i)(3)(B)(iii) of the Code).
6. No finding of discrimination under the Fair Housing Act, 42 U.S.C 3601-3619, has occurred for this property. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C 3616a(a)(1), or an adverse judgment from a federal court
7. Each building in the property is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the property. Additionally, all low income units have been continually occupied, vacant but rent-ready, or vacant for redecorating and/or minor repairs for a period of less than 30 days, throughout the reporting period.
8. There has been no change in the eligible basis (as defined in Section 42(d) of the Code) of any building in the property since last certification submission.
9. All tenant facilities included in the eligible basis under Section 42(d) of the Code of any building in the property, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the buildings.
10. If a low-income unit in the property has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented to tenants not having a qualifying income
11. If the income of tenants of a low-income unit in any building increased above 140% of the applicable income limit as allowed in Section 42(g)(2)(D)(ii) of the Code, the next available unit of comparable or smaller size in that building was or will be rented to residents having a qualifying income.
12. I Any evictions of tenants of a low-income unit in any building were executed only for good cause, as required in Section 42(h)(6)(B)(i) of the Code, as described in Q&A of Rev. Rul. 2004-82.

13. An extended low-income housing commitment as described in Section 42(h)(6) was in effect, including the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the property to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher and the property otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment

14. The owner received its credit allocation from the portion of the state ceiling set-aside for a property involving "qualified nonprofit organizations" under Section 42(h)(5) of the code and its non-profit entity materially participated in the operation of the development within the meaning of Section 469(h) of the Code.

15. There has been no change in the ownership or management of the property in the past 12 months

Review.

Under the review provision, a monitoring procedure must require:

1. The Annual Reporting Spreadsheet

2. The current utility allowance information

3. Copy of IRS Form 8609, where Part II "First-Year Certification" has been completed, signed, and dated by owner

APPENDIX D:

RESIDENT SERVICES

I. Resident Services Description Goals 63

II. Resident Services Description Guidelines 63

The Applicant is required to provide a Resident Services Description at the time of Application, in accordance with the goals and guidelines below.

I. Resident Services Description Goals

The anticipated outcomes and overall goals of the Resident Services Description and subsequent plan are as follows:

i. Through coordination, collaboration, and community linkages, residents will be provided the opportunity to access appropriate services which promote self-sufficiency, maintain independent living, and support them in making positive life choices; and

ii. To maintain the fiscal and physical viability of the development by incorporating into the ongoing management the appropriate services to address resident issues as they arise.

II. Resident Services Description Guidelines

A Resident Services Plan must include these general guidelines:

i. General low-income population support and services may include improving residents' ability to maintain their lease obligations, enhance quality of life through programs for employment, education, income/asset building, child and youth development, community building and improving access to services.

ii. Elderly support and services should include improving residents' ability to uphold their lease throughout the aging process through better access to health and other services, enhanced quality of life through community building, socialization, and other programs.

iii. Support and services for special needs population should focus on the strengths and needs of the target population to provide for not only the daily support but to be part of the larger community.

APPENDIX E:

SCHEDULE OF CHARGES

I. OVERVIEW 64

II. PROGRAM CHARGES 64

I. OVERVIEW

The Department has set the charge schedule listed below. The Department may make additions and modification to the charge schedule. Charges paid are not refundable once submitted to the Department at the time required according to the schedule below.

Submit payment with the Charge Transmittal form.

Charges are non-refundable.

If awarded, Department grant resources may be requested for reimbursement of Department charges, excluding the application charge.

II. PROGRAM CHARGES

When applying for any Program funds, the Requestor must pay each applicable charge. These charges are as follows:

Charges required with the Notice of Funding Availability (NOFA) for the 9% Low Income Housing Tax Credit Program (LIHTC), the HOME Investment Partnership Program (unless prohibited by Program), and associated resources, include:

Application Charge: The lesser of $25 per unit or (.5%) of the total funds requested. Minimum $100.

After a funding Reservation is issued, the following charges apply:

Recipient Charge: Assessed on the cumulative total of NOFA resources:

<$300K = $1,000

$300K = $2,000

LIHTC = $2,500

Farmworker Tax Credits: $200 for each development that receives credits.

Construction Monitoring: $25,000 per project (HOME only)

Document Preparation: $100 per recorded document (normally assessed in escrow)

The following charges are associated with the 9% Low Income Housing Tax Credit Program:

LIHTC Reservation:	5.5% <30 units or 6.5% >=30 units
Late Carryover:	If carryover application is received after December 1st: $1,000 plus $200 per business day, plus $100 per hour for re-evaluation.
Late Final Application:	$1,000 if final application is received more than six (6) months past placed-in-service date, plus $100 per month, plus $100 per hour for re-evaluation.
Monitoring:	$35 per unit per year for first fifteen (15) years. $25 per unit per year for each year in the extended use period.

The following charges are associated with the 4% Low Income Housing Tax Credit Program:

Application Charge:	$25 per unit + $1,500 per additional site (scattered site properties)
LIHTC Reservation:	Twelve percent (12%) of annual allocation
Recipient Charge	$2,500
Late Final Application:	$1,000 if final application is received more than six (6) months past placed-in-service date, plus $100 per month, plus $100 per hour for re-evaluation.
Monitoring	$35 per unit per year for first fifteen (15) years. $25 per unit per year for each year in the extended use period.

The following charges are associated with the tax-exempt conduit bond program (does not apply to bond re-funding):

Application Charge: $1,500

Issuance Charge:

<$10,000,000 = One point five percent (1.5%) of aggregate bond amount

>$10,000,000 = One percent (1.0%)% of aggregate bond amount

Issuance charge is capped at $100,000

Draw Downs are allowed only on an exception basis (additional (.5%) issuance charge)

DOJ: Included in issuance

Treasury: Included in issuance

Monitoring: $10 per unit per year (this is in addition to any applicable LIHTC monitoring charges)

X. PUBLIC COMMENT AND OHCS RESPONSES

Exhibit A - Public Comment and Responses:

Minutes and Comments from the Public Hearing:

OHCS Staff Attendance included: Carol Kowash, Susan Bailey, Alison McIntosh, Heather Pate, Julie Cody, and Mike McHam. No one from outside the department attended.

On February 2, 2016, at 2:00 p.m. Carol Kowash opened the public hearing for the 2016 Qualified Allocation Plan, and read the opening statement below.

> My name is Carol Kowash, Tax Credits Program Manager for LIHTC. I will be serving as the department's hearing officer for the Qualified Allocation Plan for Low Income Housing Tax Credits under Section 42 of federal tax code. The purpose of this hearing is to take public comment on the Plan proposed for adoption and amendment by Oregon Housing and Community Services. This plan is promulgated through the following action:
> Low Income Housing Tax Credit Program Qualified Allocation Plan Approval at Housing Stability Council, further signed by the Governor of the State of Oregon.
> No responses to questions will be made at this time.
> The agency will review issues raised during the public comment period, and the hearing officer's report will contain responses. In addition to the opportunity to present oral comments at this hearing, anyone may submit written comments until 5 p.m. on February 10, 2016, which is the close of the public comment period. E-mail comments may be sent to the following address: susan.e.bailey@oregon.gov. Comments received after that time will not be considered by the agency unless the agency decides to extend the public comment period for everyone.
> Each person wishing to comment orally at this hearing should sing up at the information table. I will use the list to call each person when it is his or her turn to testify. When I call your name, please come forward; state your name and where you are from. If you represent an organization, please state the name. You may then present your comments. If you have written material to enter into the record, please say so and try to summarize it. Leave a copy of that material if you have not already submitted it.
> Other Logistics: Location of restrooms, No smoking, coffee, snacks. Information is available on the table in the front of room: sign-in sheet, text of plan, etc.
> I will begin the hearing in about five minutes to give you an opportunity to sign the form to provide public comment. Are there any questions on how the hearing will be conducted?
> This hearing is now in session and is tape recorded to maintain a permanent record. My name is Carol S. Kowash, Tax Credit Programs Manager for the Department. I am the hearings officer. Today is Februrary2, 2016, and the time is 2:05 p.m.

With no testimony given, Carol Kowash closed the public hearing at 3:30 p.m. with notice given to the front desk to call Carol if anyone shows up by 4:30 p.m. to give testimony.

January *22,* 2016

To: Oregon Housing and Community Services
From: Oregon Housing Authorities
RE: Support of Qualified Allocation Plan for the Low Income Housing Tax Credit Program

Director Van Vliet:

Thank you for your continued efforts to refine and improve the Qualified Allocation Plan for the Low Income Housing Tax Credit Program. We have followed the discussion with great interest and were especially supportive of your commitment to the Council at the last meeting to create work group to cover the following topics:

- Preservation strategy including little p preservation
- Asset Management Fees (above the line)
- Resident Services Fees (above the line)
- 4% LIHTC Program
- Gap Funding Loans vs. Grants

With the assurance that these topics will receive further attention, stakeholder input and oversight by the Council, we are happy to offer our support for the proposed plan. We look forward to participating in further exploration of these topics through the workgroups and in partnership with your agency and the Housing Stability Council.

Sincerely,

The Oregon Housing Authorities

NETWORK for OREGON AFFORDABLE HOUSING

Memorandum

February 9, 2016

To: Susan Bailey

From: Rob Prasch, NOAH

RE: Comments on Proposed 2016 Qualified Allocation Plan

Please accept these written comments regarding the proposed 2016 Qualified Allocation Plan dated January 11, 2016. I will limit my comments to the 35% soft set-aside of resources for preservation projects as defined in the draft.

Under Section III D. Set-Asides, beginning on page 8 and continuing on page 9:

> ii. A thirty-five percent (35%) soft set aside has been established for Preservation Projects, where:
> - at least twenty-five percent (25%) of the residential units have federal Project-based rent subsidies and the HUD Section 8 contract is expiring or the USDA Rural Development (RD) loan is maturing within 5 years, RD restrictive use covenants have expired, or the Project needs recapitalization, per capital needs assessment, of at least $30,000 per unit, or;
> - Projects with public housing units undergoing a preservation transaction involving a comprehensive recapitalization.
>
> This thirty-five percent (35%) set aside will be calculated out of each regions LIHTC allocation; if no Preservation Projects score high enough in competitive scoring to be funded, the credits will be returned to the regional pool and the next highest scoring Project will be funded. If set aside funds are not enough to fully fund the next highest scoring Preservation Project, the highest overall scoring Project will be funded in the Region.

For many years OHCS has defined an eligible "preservation project" as one having at least 25% of the units under a federal project-based rental assistance contract. In 2015, based on a recommendation of a working group convened by the Oregon Housing Preservation Project Steering Committee, the Department revised the definition to include public housing units undergoing a preservation transaction involving a comprehensive recapitalization.

The members of the OHPP ad-hoc working group that recommended expanding the definition in 2015 discussed the proposed 2016 QAP definition and concluded that limiting the universe of eligible projects could potentially eliminate some high value projects from competing under the LIHTC NOFA. Further, our group reached consensus in recommending that the QAP preservation definition should simply establish the eligible universe without attempting to prioritize projects within the assisted housing universe. We believe that applying risk assessment criteria such as the number of years left on a contract or until a mortgage maturity date occurs is more appropriately applied during the NOFA application review and scoring process rather than used to establish

eligibility to apply under the set-aside. Under the NOFA, applicants are already required to identify risk factors and address the other preservation-specific criteria included in the published NOFA materials. The applications are reviewed and scored based on those criteria. So, rather than trying to limit the universe of eligible projects and risk eliminating some high-value projects from consideration, our group recommends the 2015 definition be retained:

> Projects with at least 25% of the residential units covered under a federal project-based rental assistance contract;
> Projects with public housing units undergoing a preservation transaction involving a comprehensive recapitalization

This would allow all big P preservation projects to apply and compete based on the NOFA criteria with their success being determined by the quality of their application.

Arguments supporting retaining current definition:

HUD long ago stopped producing new rent assisted housing which makes preserving existing units under project based contracts critical. Recognizing this, beginning in 2008 HUD's Deputy Assistant Secretary for Multifamily Housing established Management Plan goals setting targets for 20-year Section 8 contract renewals. OHCS in its role as HUD Section 8 contract administrator has exceeded those goals each year and since 2008 has executed 20-year contract renewals on 68 projects (3,260 units) while requiring no capital needs assessments or repairs. These projects are generally 30 to 40 years old (or more) and most are likely to require recapitalization very soon. Since owners entered into these long-term contract renewals in good faith, it would be unfair for OHCS to revise threshold criteria which effectively eliminates these properties from competing for resources under the preservation set-aside.

My review of current HUD data indicates there are 129 projects (3,987 units) with HUD Rental Assistance contracts that will expire during the next 5 years. But are they the right ones? Roughly 40% are HUD 202/811s with PRACs. These are generally newer projects built in the mid to late 1990s and early 2000s and are owned by non-profits and faith-based owners who are not likely to opt-out.

As facilitator of Oregon's preservation initiative we try to keep track of the preservation project pipeline and are currently aware of 76 properties, (HUD and RD), with planned preservation transactions. These are arms-length sales with willing buyers and sellers and stay-in owners of older projects that need to be recapitalized to remain physically and financially viable. Under the proposed definition change 24 of those 76 projects will not qualify for the 2016 NOFA.

According to Rural Development there are only 4 Oregon projects with mortgages that will mature between 2015 and 2022. One of those projects has no Rental Assistance units and another had an OHCS funding reservation rescinded after RD denied approval of the transfer. Those two projects will most certainly exit the 515 program. A third project, Merrill Apartments, recently received preservation funding from RD and will be transferred to Klamath Housing Authority later this year. That leaves one RD project with a maturing mortgage over the next five years.

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Regarding the clause "restrictive use covenants have expired" in the proposed definition change, keep in mind post 1989 RD projects don't have restrictive use covenants (RUCs) because they are prohibited from prepaying by statute which is clearly stated in their loan agreements. There is a class of pre-1989 projects where a RUC was imposed by the agency when the owner accepted a payment under the Franconia litigation settlement process. These RUCs remain in force until mortgage maturity. These projects may have significant accumulated physical needs but would not be eligible to access the set-aside under the proposed language because a RUC is in effect.

As you know, since 2007 a significant number of federally assisted projects have been preserved through portfolio transactions. In fact, 16 portfolio transactions involving a total of 52 HUD and RD projects were funded by the Department between 2007 and 2015. Were those transactions to occur today, under the proposed definition change, it's quite likely some of those projects would not qualify because the number of years remaining on their contracts, or until mortgage maturity, exceeds five years.

I bring these points to your attention to illustrate why incorporating additional criteria into the definition will unnecessarily complicate the process of determining a project's eligibility to apply under the set-aside for both sponsors and OHCS and could potentially exclude some high value projects from applying.

While approaching rental assistance contract expiration or maturing mortgage dates present potential risks there are many others risk factors including physical deficiencies, poor financial performance, open regulatory violations, uncooperative ownership and more. Also, sometimes an opportunity presents itself to purchase and preserve a project at a below market value or as part of a portfolio transaction. Keeping the threshold criteria simple will keep the door open to a broader universe of assisted properties and allow for viable preservation projects to compete for Department resources on a level field.

To summarize, OHCS should retain the current preservation project definition. Published NOFA scoring criteria should prioritize funding of properties that provide high value in their communities and properly places the burden to demonstrate that value on the applicant through their application.

Thank you for the opportunity to review and comment on the 2016 proposed QAP.

Respectfully submitted,

Rob Prasch, Preservation Director
Network for Oregon Affordable Housing

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NATIONAL
HOUSING
TRUST

February 10, 2016

Julie V. Cody
Oregon Housing and Community Services
725 Summer Street, NE, Suite B
Salem OR, 97309-1266

Dear Ms. Cody:

The National Housing Trust is a national nonprofit organization formed to preserve and revitalize affordable homes to better the quality of life for the families and elderly who live there. The National Housing Trust engages in housing preservation through real estate development, lending and public policy. Over the past decade, NHT and our affiliate, NHT-Enterprise Preservation Corporation, have preserved more than 25,000 affordable apartments in all types of communities, leveraging more than $1 billion in financing.

The Trust fully acknowledges the entire set of preservation policies and programs established by the Oregon Housing and Community Services (OHCS), and the comments below refer specifically to OHCS's draft Qualified Allocation Plan (QAP) as it relates to the Low Income Housing Tax Credit (Housing Credit) program. We appreciate the opportunity to comment on Oregon's draft 2016 QAP. The Trust would like to commend you on several aspects of your draft QAP:

- ***Maintaining a 35% set-aside for the preservation of existing affordable housing;***
- ***Retaining a 60-year affordability period for Housing Credit projects;***
- ***Offering a basis boost to projects involving preservation and transit-oriented development***

The Trust would also like to offer comments on areas that we believe will help OHCS maintain a strong record of preserving affordable housing units in Oregon.

Return to the 2015 Definition of Preservation. The Trust is concerned with the change in how the Oregon 2016 QAP defines preservation projects. The current preservation definition in the draft significantly limits the realm of possible projects. Simply adding in the threshold requirement that the property be within 5 years of contract expiration eliminates over half of the federally subsidized units in Oregon from eligibility under the preservation set-aside. Restricting the definition of preservation in this way is especially damaging to smaller projects that might benefit from being bundled together.

OHCS already utilizes points to incentivize projects that are especially at-risk of loss from the affordable housing stock due to contract expiration. Adding a threshold requirement will only

National Preservation Initiative
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serve to unduly limit the options for preserving existing affordable housing. **NHT recommends that OHCS return to the broader 2015 definition of preservation.**

Balancing Incentives in Areas of Opportunity and Preservation. Some states are setting priorities for the deployment of Housing Credits in previously underserved areas. The Trust supports a **balanced approach** which calls upon states to ensure that such deployment does not inadvertently disadvantage the allocation of Housing Credits for the preservation of affordable housing, wherever such housing is located.

Indeed, as observed in HUD's Final Affirmatively Furthering Fair Housing (AFFH) Rule: "A program participant's strategies and actions...may include various activities...including...Targeted investment in neighborhood revitalization or stabilization; preservation or rehabilitation of existing affordable housing; promoting greater housing choice within or outside of areas of concentrated poverty and greater access to areas of high opportunity; and improving community assets such as quality schools, employment, and transportation."

OHCS's draft 2016 QAP takes important steps towards achieving this balance, offering incentives for community targeting either in areas of opportunity, as defined through a number of categories, in areas with ongoing community revitalization efforts or in gentrifying areas. Balancing these incentives is especially important as preservation of affordable housing can itself be an important generator of investment within a distressed community:

- Catalyzing investment and development in distressed neighborhoods serving racial minorities;
- Improving living conditions and enabling households who choose to stay in their neighborhoods to do so;
- Maintaining and improving housing in gentrifying communities.

We urge OHCS to continue to **balance incentives for investing in areas of high opportunity and improving affordable housing in existing communities** in a way that makes sense for Oregon.

Include Green Requirements for Non-Competitive Housing Credits. The Trust strongly supports Oregon's requirements that competitive Housing Credit projects utilize third-party green standards. However, OHCS's General Policy and Guideline Manual indicates that projects utilizing solely 4% credits are exempt from green requirements. Increasing energy efficiency in affordable, multifamily housing is a great investment – it delivers value to customers and the utility in the form of a more efficient system, creates healthier living environments for residents, lowers residents' utility bills, reduces owner operating expenses, which can free-up capital for building improvements, and sustains affordable housing. The Trust urges OHCS to consider **including green building requirements for non-competitive Housing Credits.**

Conclusion. As you consider these recommendations, you can explore how other states are approaching each of these issues in their Qualified Allocation Plans by searching PrezCat (www.prezcat.org), an online catalog of state and local affordable housing preservation policies. Here you will also find how states are approaching topics beyond those discussed above. We

would be happy to work with you to flesh out some of these ideas, and identify options that work best for the preservation of affordable housing in Oregon.

It is fiscally prudent for states to balance tax credit allocations between new construction and preservation/rehabilitation. In addition to helping build sustainable communities, preservation is significantly more cost-efficient and environmentally friendly than new construction. The National Housing Trust urges the Oregon Housing and Community Services to continue its support for sustainable communities and the preservation of Oregon's existing affordable housing by restoring the 2015 definition of preservation and including green building requirements for non-competitive Housing Credits.

Thank you for the opportunity to comment on this important issue in the State of Oregon.

Sincerely,

Michael Bodaken
President

Good Morning Susan,
Unfortunately, I have a conflict today and will not be able to attend the session today.
PCRI has provided testimony in the past regarding the State's Qualified Allocation Plan (QAP), and we would once again like to offer comments via a written testimony.
As you know, NE Portland has experienced fifteen years of continuous involuntary displacement of the African-American community in Portland. We also know that this represents the fourth time displacement has occurred in the African-American community in Portland. To combat the most recent episode of displacement that began in 2000, PCRI is aggressively working to mitigate it. Displacement has come a widely known circumstance, and communities in Portland and throughout the state of Oregon are dedicating time and resources to prevent it from happening in their communities.
PCRI's testimony at a regular Council meeting addressed the lack of equity in the State's allocation plan and we offered recommendations that would, from our perspective, address the issue. We addressed the matter in additional testimony at the State, and PCRI's follow up testimony will be the topic of our testimony to be submitted by the February 10, 2016 deadline.
Thank you for your time and if you have questions regarding this message, please contact me.
Kind regards,

Maxine Fitzpatrick
Executive Director

PCRI

6329 NE Martin Luther King Jr. Blvd.
Portland, OR 97211
503-288-2923 Ext 117
503-288-2891 Fax
Maxine@pcrihome.org
www.pcrihome.org

"Everything that happened had to happen. Everything that must happen cannot be stopped. –Dwayne Dyer,

CASA Comments on OHCS QAP Changes

Priority Letters: We support eliminating priority letters. It is important to have collaboration with local jurisdictions, but there are some elements in local jurisdictions that do not want to see needed affordable housing in their community. Whatever plan OHCS comes up with needs to take this into consideration.
QCT/Low Poverty: CASA supports the reduction in points for being in a QCT and for expanding the definition of areas that would receive these points, this is particularly important for **rural areas** that truly are Opportunity Areas but do not meet the prior, narrow definition.
9% Cap: CASA supports the caps that OHCS is supporting because of the diversity it brings.
Method of Award: CASA would like further clarity around OHCS's proposal to loan funds into projects. We do not support the loans always being hard. There are times when a soft loan is appropriate (particularly when serving extremely low income households). All RD projects developed by non-profit agencies and housing authorities require any income stay with the project. Therefore, RD projects should be given a 0%, deferred payment loan.
Restrictive Covenants: CASA supports the concept of not funding projects that have been recently funded, but also would prefer that there was an opportunity for exceptions in extreme circumstances.
Operating Expenses and Replacement Reserves: CASA is looking forward to seeing the results of the Novogradac study. We would like to ensure the study consider RD's significant RR requirements.
Developer Fee: CASA supports more clarity in what is an appropriate Developer Fee.
Social Equity: CASA supports adding a social equity component to the scoring criteria.
Social Services : CASA agrees there needs to be more clarity around Resident Services, particularly in rural areas where there are a limited number of service providers, and limited funding to provide those services.
Cost Containment: CASA supports OHCS's push to reduce costs, but would point out there are differences in measuring by TDC, per unit, per square foot and per bedroom that need to be carefully considered. This section should not be scored but rather keep the current structure where applicants explain reason why costs are higher. For example on RD projects, two big items are the Davis Bacon requirement and the amount of replacement reserves that need to be capitalized. We also caution that the push to reduce costs does not affect the quality/durability of the project, particularly with limitations to apply for additional funds (20 yr minimum).

Other Areas Where CASA Would Like to Weigh In

Regions: Given that the Balance of State has been the most competitive in the last few rounds, and that there appears to be a bias towards funding project in the larger cities that fall within the Balance of State CASA feels there needs to be some tweaking of the regions. We are not sure what this should be, but would like to see some further targeted discussion.
Preservation Set Aside: Given the severe limitations on new federal rental assistance, OHCS should continue to have a set-aside for preservation of projects with rental assistance. There are a significant number of RD projects that will could be paying off their mortgage in the near future and preserving them as affordable housing (by transferring them to a housing authority or non-profit) should be a priority for OHCS.
When considering preservation projects, the calculation for investment in an existing community should not be considered. The units are already there, and to lose points for preserving those units , particularly those with RA, is counter-productive.
Affordable projects that are already in foreclosure should get additional points for preservation, as they are in immediate threat of loss.

Susan,
As you know Oregon is experiencing a housing crisis. In Portland metro alone we are short more than 40,000 affordable rental options for low-income families and individuals. It is incumbent upon us to use our existing financing tools to their maximum potential so that we can maximize the number of new affordable units that can be created. At Enterprise, as a national syndicator, we see many states successfully using 4% tax credits to increase the number of units available for people living with incomes between 40% - 60% of the Median Family Income.
Below are suggestions to the QAP related to the 4% non-competitive tax credits:

1. Page 7, II. B. – Clarify which preferences and selection criteria and other requirements are not required for 4% non-competitive tax credits. Some sections clarify that it only applies to 9% tax credits, but not all.
2. Page 10, F. – Allow 4% tax credits to qualify for the basis boost.
3. Page 24, C. iii. – Make the developer fee calculation consistent for new construction and acq/rehab projects, i.e. no carve out for acq/rehab.

Thank you for considering these changes to help increase the use of the 4% non-competitive tax credit.
Sincerely,
Amanda Saul
Amanda Saul
Senior Program Director
Enterprise Community Partners, Inc.
1001 SW 5th Ave., Suite 300, Portland, OR 97204
Desk: 503.553.5646 | Cell: 503.740.7594
Follow Enterprise: facebook | LinkedIn | twitter | YouTube | our blog, @the horizon

HEALTH SYSTEMS DIVISION

Kate Brown, Governor

Oregon Health Authority

500 Summer Street NE, E-86
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www.oregon.gov/OHA/amh

February 3, 2016

Margaret S. Van Vliet, Director
Oregon Housing and Community Services
725 Summer Street NE Suite B
Salem Oregon 97301

RE: Qualified Allocation Plan for the Low Income Housing Tax Credit Program

Dear Ms. Van Vliet:

Oregon Health Authority (OHA) Health Systems Division (HSD), in our efforts to improve housing resources for individuals with mental illness, appreciates the opportunity to work with our partner agency, Oregon Housing and Community Services (OHCS) to adopt a Qualified Allocation Plan (QAP) that addresses the needs of the target population. The Low Income Housing Tax Credit Program represents an important funding source for supported housing development, one that can be combined with other funding sources to increase our housing inventory.

We have reviewed the draft QAP and offer the following comments:

1. Section III. 9% Requirements and Criteria, D. Set-Asides

Recommended Action: Include a set-aside specifically for development of supported housing for individuals with a Serious Mental Illness (SMI).

Background: The State of Oregon, through its Voluntary Agreement with the US Dept. of Justice (USDOJ) has identified gaps in the availability of supported housing for individual with a serious and persistent mental illness in the most integrated setting appropriate to their needs. The next step in this process is to set goals to close that gap.

If you need this letter in an alternate format, please call 503-945-5763 (Voice) or 800-375-2863 (TTY)
An Equal Opportunity Employer

One important tool to meet the State's obligation would be the set-aside of Low Income Housing Tax Credits to promote the development of supported housing. This would be consistent with the "Statement of the Department of Housing and Urban Development on the Role of Housing in Accomplishing the Goals of *Olmstead*" directed to all recipients of federal financial assistance in efforts to comply with the US Supreme Court 1999 Olmstead decision.

2. Section III. 9% Requirements and Criteria, I. Selection Criteria, i. Need, a. Target Population

Recommended Action: Include "Individuals with a Serious Mental Illness (SMI)" as a distinct target population and award additional points for serving this population.

Background: This specific addition to the list of target populations would affirmatively further ADA efforts by promoting awards of LIHTC to proposed projects offering supported housing for these individuals. HUD's statement regarding Olmstead, referenced above, encourages states to partner with community-based housing providers receiving federal financial assistance to provide integrated housing opportunities for this population, guidance that is consistent with efforts across federal agencies.

3. Section III. 9% Requirements and Criteria, I. Selection Criteria, New Construction and Acquisition/Rehabilitation Project Impact Criteria

a. Plan Alignment

Recommended Action: Include as an identified State plan the State Olmstead Plan. This document is being developed by OHA's Health Policy Division.

Recommended Action: Include in the list of planning efforts both the Addictions and Mental Health Planning and Advisory Council (AMHPAC) Housing/Olmstead Subcommittee and the Oregon Consumer Advisory Council (OCAC).

Background: The State Olmstead Plan includes the State's efforts to address the need for supported housing while the AMHPAC subcommittee and OCAC are both instrumental in advocacy and policy direction that includes supported housing.

4. Section III. 9% Requirements and Criteria, I. Selection Criteria, Preference

a. Serving Lowest Incomes

Recommended Action: Award additional points based on the percentage of units in the proposed project that will have rents affordable to households/individuals whose primary income includes sources such as Supplemental Security Income (SSI), Social Security Disability Insurance (SSDI), and federal benefits for survivors of domestic violence.

Background: Individuals who are disabled and in need of affordable housing rely on these sources for their income when a disability impacts their ability to secure and maintain employment.

5. Section IV. General Threshold and Underwriting, B. General Thresholds

iv. Resident Services

Recommended Action: Include language directing participation in resident services to be voluntary for individuals with a serious mental illness residing in supported housing. Participation in services cannot be a condition or requirement for tenancy imposed by a funder, lender or investor as well as an owner or property manager. Any such requirement would be a violation of the ADA and should be reported to OHCS.

Background: The definition of Supported Housing provided by the USDOJ states "Support services offered to people living in supported housing are flexible and are available as needed and desired but are not mandated as a condition of obtaining tenancy."

6. Section IV. General Threshold and Underwriting, B. General Thresholds

v. Relocation

Recommended Action: Add to list of items for relocation plans, (i) if any tenant is an individual with a serious mental illness (SMI), the plan must specifically address how any trauma brought on by the relocation will be minimized or mitigated.

Background: Trauma is a significant factor in the lives of individuals with mental illness. An individual required to relocate could be losing established social connections with neighbors, even a landlord, which provide important supports to independent living. A move could also impact access or proximity to recovery-oriented services.

According to the National Council for Community Behavioral Healthcare, 90% of behavioral health clients have experienced trauma. For residents with a behavioral health disorder, relocation could overwhelm their ability to cope, bring on feelings of fear and helplessness, and exacerbate physical health conditions such as diabetes, heart disease, and high blood pressure.

If relocation is necessary, steps must be taken to minimize or mitigate this situation. Plans for relocation should provide support from trusted individuals in a safe and collaborative environment. Use of peer support and other trauma-informed approaches are encouraged. The entity responsible for the relocation should research and make use of the expertise of established resources such as the Substance Abuse and Mental Health Services Agency (SAMHSA).

Section VIII. General Glossary of Terms

Recommended Action: Add the terms (1) Americans with Disabilities Act (ADA) and (2) Supported Housing.

General

Add a section for Fair Housing and ADA Compliance.

Recommended Action: Include language regarding the requirement to comply with the ADA and specifically the direction provided by the US Supreme Court 1999 Olmstead Decision.

Background: The 1999 Olmstead Decision by the Supreme Court held that Title II of the Americans with Disabilities Act (ADA) prohibits the unjustified segregation of individuals with disabilities and requires public entities such as the State to administer services, programs and activities "in the most integrated setting appropriate to the needs of qualified individuals with disabilities."

According to the "Statement of the Department of Housing and Urban Development on the Role of Housing in Accomplishing the Goals of *Olmstead*" the integration mandate of the ADA and Olmstead Decision compels states to offer community-based services and supports to individuals who can live independently with access to services and supports. Critical consideration is given to the range of housing options available in the community for individuals with disabilities and whether those options include substantial opportunities for individuals with disabilities to live and interact with individuals without disabilities.

OHA Health Systems Division looks forward to our continued work with OHCS to remedy the housing disparities experienced by individuals with a serious mental illness. Please do not hesitate to contact me or my staff if you have any questions or need additional information.

Sincerely,

Varsha Chauhan

Varsha Chauhan, Chief Health Systems Officer
Oregon Health Authority

VC/mg

CC: Susan Bailey, OHCS
Darcy Strahan, HSD
Susan Lind, HSD
Varsha Chauhan, HSD

Sources:

a. Agreement regarding United States' Investigation of Oregon's Mental Health Systems, DJ#168-61-30, US Department of Justice, November 9, 2012, http://www.oregon.gov/oha/bhp/Documents/USDOJ%20Agreement%20Letter%202012.pdf

b. HUD No. 13-086, Statement of the Department of Housing and Urban Development on the Role of Housing in Accomplishing the Goals of *Olmstead,* US Dept. of HUD, June 4, 2013, http://portal.hud.gov/hudportal/documents/huddoc?id=OlmsteadGuidnc060413.pdf

c. Notice PIH-2012-31, US Dept. of HUD, June 29, 2012, http://portal.hud.gov/hudportal/documents/huddoc?id=pih2012-31.pdf

Issue:	Commenter:	Comment:	Response:
Process and follow up	Oregon Housing Authorities, letter dated 1/22/16	Offer support for the QAP and desire assurance that OHCS will create a work group to cover the following topics: - Preservation strategy including little p preservation - Asset management (above the line) - Resident Services Fees (above the line) - 4% LIHTC program - Gap funding Loans vs Grants	We appreciate the support for the draft 2016 Qualified Allocation Plan and will follow up on the issues of Preservation strategy including little p preservation, Asset management fees, Resident services fees, 4% LIHTC program and using Gap funding as loans versus grants.
Displacement / Equity	PCRI, Maxine Fitzpatrick, email	Displacement issues affecting the African-American community in Portland. Need for equity to be addressed in the QAP	OHCS has worked to build several factors of equity and access into the 2016 draft QAP. Specific to displacement and gentrification, there is a proposed competitive scoring criterion that serves to prioritize projects in areas vulnerable to gentrification. These criteria will include measures such as being in a high poverty Qualified Census Tract, having a revitalization plan, having high percentages communities of color and low educational achievement. It is our belief that, in addition to other metrics aimed at the use of Minority, Women and Emerging Small Business partners and bringing Affirmative Fair Housing Marketing Plans into competitive scoring that we have made significant strides at expanding the attention toward equity in the allocation of our 9% LIHTC.

Issue:	Commenter:	Comment:	Response:
Preservation set-aside definition	NOAH, Rob Prasch, letter dated 2/9/16 National Housing Trust, Michael Bodaken, letter dated 2/10/16 Northwest Real Estate Capital, Julie Marple, email	Definition should remain at the former interpretation, which specified any project with 25% or more of the units with federal project based rent assistance; any change, in particular the draft measure limiting it to those that will expire within 5 years, will limit the projects that can apply and risk funding projects that are less in need.	The intent of the preservation definition is to focus the use of these competitive set aside funds on those projects with a direct risk of expiring; OHCS believes that limiting the projects that are eligible for the set aside to those that are due to expire within a specific time-frame is a clear way of doing so. Given the responses concerning the five year limitation – OHCS is changing this to be 7 years in the final 2016 QAP. Any project that has a contract for a longer period of time, like the 20 and 30 year renewals referenced, would still be able to apply for these funds but would be doing so as a rehabilitation project which better meets the needs for those projects. In addition, it is important to understand that this definition of preservation only applies to the set-aside, and does not affect other department programs or policies regarding preservation strategies.
Balancing Incentives in Areas of Opportunity and Preservation	National Housing Trust, Michael Bodaken, letter dated 2/10/16	It is important to balance Opportunity Areas and Preservation; offers support and encouragement for OHCS: - Catalyzing investment and development in distressed neighborhood serving racial minorities; - Improving living conditions and enabling households who choose to stay in their neighborhoods to do so; - Maintaining and improving housing in gentrifying communities.	Thank you for your support.

Issue:	Commenter:	Comment:	Response:
Green Requirement for 4% LIHTC	National Housing Trust, Michael Bodaken, letter dated 2/10/16	Supports OHCS use of third party green standards for competitive LIHTC; would encourage the use of this approach for 4% LIHTC as well	OHCS is interested in expanding the use of the 4% LIHTC program, and will be convening workgroups in the coming months to discuss approaches for doing so. As these conversations had not yet happened it was determined that it was not a prudent time to increase program requirements. As these discussions occur, and the program expands its reach, we will be sure to revisit this concept.
Issues raised in QAP outreach	CASA of Oregon, email	- Priority Letters – removal support - QCT/Low Poverty – reduction in points support - 9% Cap – support - Method of Award – if issued as loans should be 0%, in particular for RD projects - Restrictive covenants – supports, but would prefer the addition of an exception process - Operating expenses and replacement reserves – wants to look at Novagradac study - Developer fee – supports clarity - Social equity – supports the addition - Social services – supports the need for clarity - Cost containment – would like no change to the current threshold measurement	Priority letters: These letters have been removed from competitive scoring and ties with local planning efforts reflected elsewhere in the scoring QCT / Low Poverty Areas: These have been incorporated into larger looks at areas Vulnerable to Gentrification and Opportunity Areas which will be defined using criteria that will be specific to urban versus rural areas of the state. 9% Cap: Has been raised for individual projects, with limitations on the amount of credit any individual sponsor can receive. Method of Award: loaning vs granting funds is not a policy incorporated into the QAP and will be a topic for future work groups. Restrictions: Projects receiving 9% LIHTC will not be permitted to apply for additional LIHTC resources within 20 years and the QAP does have a stated allowance for an exception in cases where this is a risk of loss. Developer fee: a revised developer fee has been proposed. Social equity: has been incorporated into scoring

		- Regions – some action to address clustering of investments in urban parts of the balance of state region - Preservation – set aside support - Preservation criteria – should consider the units in the community, and the risk of loss / foreclosure	Service provision: in competitive scoring has been revised in order to provide clearer parameters. Cost containment: as recommended, the total development cost matrix will remain in threshold with the ability for applicants to explain in cases where the costs are higher. Regions: the regions will remain the same; however there is now an established target in the Balance of State region for half of the funds to go to rural areas. Preservation set-aside: will continue to be 35% Preservation scoring includes several preservation specific measures aimed at identifying how much the loss of the units would be to the community as well as identifying what the risk of loss is. Novagradac state comparison study can be found on the OHCS website here: http://www.oregon.gov/ohcs/HD/outreach/qualified-allocation-plan/Comparative-Summary-Selected-States-2015-QAPs.pdf
Preferences and Selection Criteria	Enterprise Community Partners, Amanda Saul, email	Clarify what preferences and selection criteria do not apply to 4% LIHTC	The non-competitive credits are not subject to OHCS preferences or selection criteria outlined in the QAP, but must meet Section 42 statutory preferences (Section 42(m), standards of financial feasibility and viability(pages 19, 20) , Project monitoring procedures (under Asset Mgt. Compliance, page 21, and Program specific requirements (pg. 21 under program compliance) established by OHCS. Unless specified otherwise, the requirements laid out in this Plan apply to the 4% LIHTCs. The entire section III requirements and criteria are specific to 9% LIHTC only and do not apply to 4% LIHTC; stated as "9% Requirements and Criteria. This section applies to 9% LIHTC competitive applications only"

Issue:	Commenter:	Comment:	Response:
4% LIHTC basis boost	Enterprise Community Partners, Amanda Saul, email	State should allow 4% LIHTC the use of the state basis boost	In 2008, HERA established the ability for 9% LIHTC projects to receive a basis boost as defined by the state. States are not allowed to extend state basis boost eligibility to 4% LIHTC. 4% LIHTC projects are eligible for the federal basis boost, if the project is in a Difficult to Develop Area (DDA) or Qualified Census Tract (QCT).
Developer fee	Enterprise Community Partners, Amanda Saul, email	Should not have a variation between new construction and acq/rehab projects	The variation in the developer fee was the result of a lot of modeling and consensus of the work group evaluating the developer fee given that there is additional work in the acquisition of an existing project that should be taken into consideration for the base developer fee.
Set-aside for Serious Mental Illness (SMI)	Oregon Health Authority, Varsha Chauhan, letter dated 2/3/16	Should establish a set-aside for those with Serious Mental Illness	Given the limited availability of funds and our current 35% preservation set aside, OHCS is not considering additional set-asides at this time. However, we look forward to OHA involvement in the strategic statewide plan that OHCS is doing.
SMI listed as target population	Oregon Health Authority, Varsha Chauhan, letter dated 2/3/16	List SMI among the target populations	SMI households are included in the definition of households with persons with a disability.
Olmstead Plan and the Oregon Consumer Advisory Council (OCAC)	Oregon Health Authority, Varsha Chauhan, letter dated 2/3/16	List the states Olmstead Plan and the Oregon Consumer Advisory Council (OCAC) in the policy / plan scoring	OHCS will make this addition to the QAP scoring criteria for 9% LIHTC program.
Serving Lowest Incomes	Oregon Health Authority, Varsha Chauhan, letter dated 2/3/16	Award additional points for projects that can serve the lowest incomes	OHCS currently gives points to projects that serve the lowest average median income, which would preference those serving lower income ranges. In addition, points are awarded to those that bring rent assistance to serve the extremely low income.

Issue:	Commenter:	Comment:	Response:
Resident Services	Oregon Health Authority, Varsha Chauhan, letter dated 2/3/16	Include language establishing that participation in resident services is voluntary	Service participation in a housing project is never a requirement of OHCS, and is always offered as a voluntary opportunity. While this level of detail is not included in the Qualified Allocation Plan, it is part of all project services plan. OHCS will include additional mention on this in any NOFA offerings.
Relocation	Oregon Health Authority, Varsha Chauhan, letter dated 2/3/16	If a project requires a relocation plan, the plan should require assessment of the impact on those with Serious Mental Illness	Relocation plans require assessment of individual housing needs, as well as identification of needed assistance for those with disabilities; this would be inclusive of those with serious mental illness.
ADA and Supported Housing	Oregon Health Authority, Varsha Chauhan, letter dated 2/3/16	Add ADA and Supported Housing terms to the glossary	Given that the terms are not included in the QAP, we will not add them to the glossary at this time. In future documents and NOFA we will include them as appropriate.

Oregon Housing and Community Services

PROJECT UPDATE

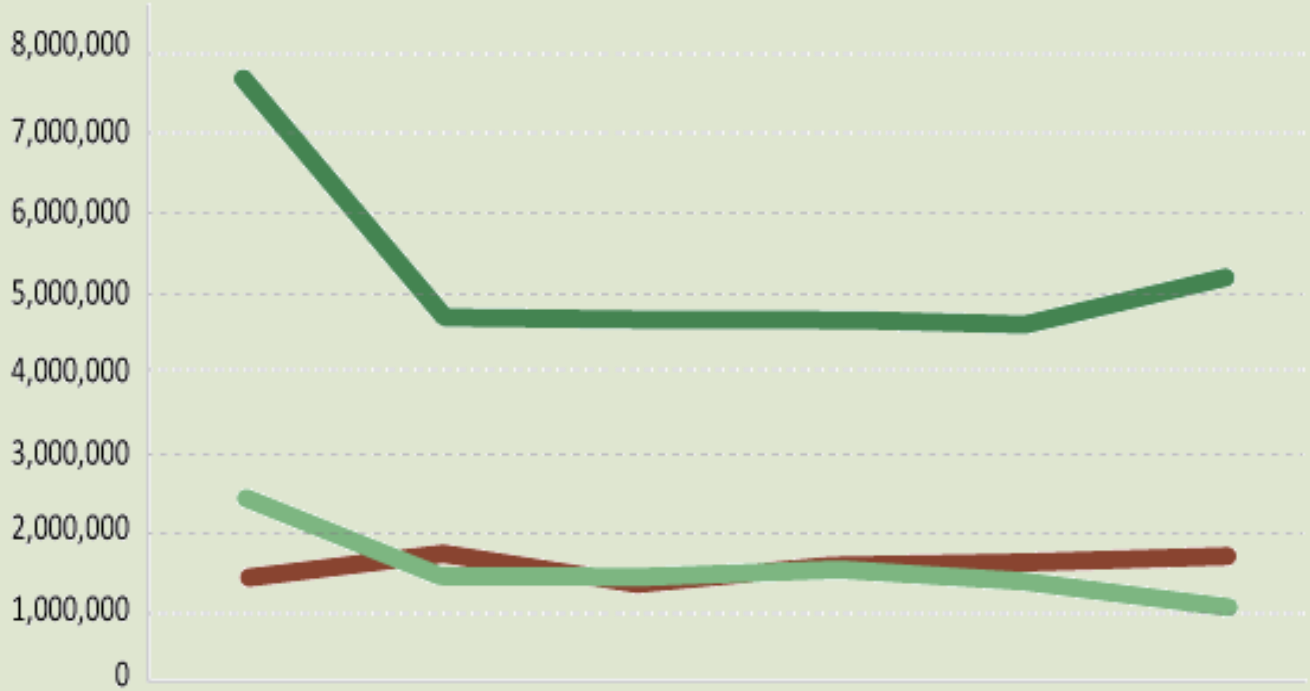
CONSOLIDATED PLAN UPDATE

PRESENTED TO: HOUSING STABILITY COUNCIL

PRESENTED BY:
THERESA WINGARD AND SHOSHANAH OPPENHEIM

FINAL UPDATE AND MOTION TO SUBMIT

HOME, TBRA AND ESG RESOURCES



	2011	2012	2013	2014	2015	2016
HOME Multifamily/CHDO	$7,613,526	$4,757,743	$4,680,070	$4,684,292	$4,618,129	$5,239,730
HOME -TBRA	$2,420,000	$1,444,157	$1,430,411	$1,535,097	$1,379,441	$1,073,197
ESG	$1,448169	$1,744,893	$1,368,385	$1,595,367	$1,742,295	$1,773,057

HOUSING TRUST FUND UPDATE

- The earliest HUD expects to publish the HTF formula allocations is April 2016.
- Oregon may not submit its HTF allocation plan before its HTF formula allocation has been published. HUD recommends the state use the $3 million minimum HTF allocation as a baseline formula allocation estimate.
- Oregon may submit consolidated and action plans before the HTF formula allocations are published, then submit the HTF allocation plan as a substantial amendment to its annual action plan, after the HTF formula allocations are published.

NEXT STEPS

- Submission
- HUD review, approval, funds availability
- Motion:
  To submit 2016-2020 Consolidated Plan to HUD in a form substantially similar to the public comment document with 2016 allocations.

Oregon
Governor Kate Brown

Housing and Community Services
North Mall Office Building
725 Summer St NE, Suite B
Salem, OR 97301-1266
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www.ohcs.oregon.gov

Date: March 4, 2016

To: Housing Stability Council Members
Margaret S. Van Vliet, Director

From: Betty Merrill, Oregon Homeownership Stabilization Administrator

Re: OHSI update; New Hardest Hit Funds

The Hardest Hit Fund (HHF) was established in 2010, to provide assistance to states that were severely impacted by the foreclosure crisis. The Department of the Treasury provided $7 Billion in funding to state housing finance agencies in 18 states and the District of Columbia. Oregon Housing and Community Services created the Oregon Affordable Housing Assistance Corporation (OAHAC) to manage the program, because OHCS was unable to receive the funds directly from Treasury. HHF funds purpose is to assist homeowners to avoid foreclosure and stabilize housing markets. In 2010 Oregon was awarded $220M.

Through December 31, 2015 Oregon has dispersed more than $234M to assist more than 11,777 homeowners. Oregon closed their MPAT application portal when all funds were committed, in July 2014. Currently only the Loan Refinance Assistance Pilot Program (LRAPP) and the Rebuilding American Homeownership Assistance Program (RAHAPP) programs remain open to continue to utilize recycled funds returned through payoffs.

Program	Dispersed
Mortgage Paymen Assistance (MPAT)	$ 139,595,724
Loan Preservation Assistance (LPA)	$ 14,398,225
LRAPP	$ 29,062,842
RAHAPP	$ 15,999,887
Total Program Funds	**$ 199,056,678**
Administration	$ 35,380,038
Total Dispersed	**$ 234,436,716**
Homeowners Assisted	**11,777**

New Funding Opportunity

$2 Billion in additional funding for HHF programs was made available in December 2015, when Congress passed the Consolidated Appropriations Act. The funding will occur in two phases, each allocating $1 billion. In Phase 1, Oregon was allocated $36.4 Million; this allocation was based on population and the state's ability to utilize existing funding. Phase 2 funding requires an

application to apply for no more than 50% of our original allocation ($220M). Oregon will be applying for $110 Million in Phase 2.

Phase 1 Funding

Oregon will utilize our $36.4 Million to re-open our Mortgage Payment Assistance and Reinstatement programs in partnership with established Intake Counseling Agencies, which provide 12 monthly mortgage payments and reinstatement of arrearages. We will also expand our LPA program to include a Tax Lien Extinction program which will provide assistance to pay county property tax arrearages. This program is intended to provide opportunities for seniors, fixed income and reverse mortgages clients. If our agreement with Treasury can be finalized in March, we plan to re-open the MPA and reinstatement program in July and the Tax Lien Extinction program in October.

HHF Phase 1 Allocation

Program	Average Benefit	Committed Funds	Applications Funded	Max Benefit
MPAT	$ 12,200	$ 20,000,000	1,639	$ 20,000
MPATR	$ 15,000	$ 5,000,000	333	$ 15,000
LPA Tax Lien	$ 20,000	$ 4,868,874	243	$ 30,000
LRAPP[1]	Recycled funds			
RAHAPP[1]	Recycled funds			
Administration		$ 6,556,582		
TOTAL PHASE 1		**$ 36,425,456**	**2,216**	

[1]Programs utilize recycled funds no new allocation

Phase 2 of the funding involves an application process that is due to Treasury by March 11, 2016. Oregon's application will request $110 M to continue the MPA and reinstatement programs, and the tax lien extinction program. Oregon will partner with established Intake Counseling Agencies to re-open the Loan Preservation Assistance program and will fully reinstate all past due arrearages to bring homeowners monthly principal and interest, taxes and insurance current. Oregon will also propose two new programs; A Down Payment Assistance (DPA) program for first time home buyers and a Blight elimination project focused on replacement of manufactured housing units. Both of these programs require approval by Treasury on which counties can be targeted and the indicators necessary to qualify counties for eligibility and to track the progress and impact of the programs on the community. We hope to open the new program in fall of 2016.

Proposed Phase 2 Application

Program	Average Benefit	Committed Funds	Applications Funded	Max Benefit
MPAT	$ 12,200.00	$ 20,000,000	1,639	$ 20,000
MPATR	$ 7,500.00	$ 10,000,000	1,333	$ 15,000
LPA tax lien	$ 10,000.00	$ 15,000,000	1,500	$ 30,000
LPA	$ 30,000.00	$ 25,200,000	840	
DPA*	$ 15,000.00	$ 10,000,000	667	$ 15,000
Blight*	$ 15,000.00	$ 10,000,000	667	$ 15,000
LRAPP[1]	Recycled funds	$ -		
RAHAPP[1]	Recycled funds	$ -		
Administration		$ 19,800,000		
PHASE II Total		**$ 110,000,000**	**6,646**	

[1]Programs utilize recycled funds no new allocations

*Proposed new programs require UST approval

SECTION 8 PROJECT-BASED CONTRACT ADMINISTRATION

OVERVIEW OF SECTION 8 PROGRAMS

- Project-Based Contract Administration (PBCA) Program
  - Subsidy is assigned to multifamily properties through Housing Assistance Payment (HAP) contracts
  - Applications submitted to the properties
  - Waiting lists reside at the properties
  - Special claims submitted to PBCA for vacancies, unpaid rent, and damages

- Housing Choice Voucher Program
  - Assistance assigned to tenants through the Housing Authorities (HA)
  - HA takes applications and keeps waiting lists
  - No special claims

- Housing Choice Vouchers Landlord Guarantee Assistance Program
  - Oregon Legislature created program
  - Tied to Housing Choice Voucher program
  - Special claims for damages submitted to OHCS

OHCS PBCA STATISTICS

- 257 Contracts on 253 Properties
- 9,708 Households Served
- Household Demographics as of 1/26/2016:
  - Total Residents: 14,333
  - Total Dependents: 3,565
  - Disabled Heads of Household: 3,252
  - Elderly Heads of Household: 4,750
- Subsidy Paid to Owners on Behalf of Residents in 2015: $58,539,668
- Projected Admin Fee Paid to OHCS in 2016: $2,133,994

PBCA CONTRACT HISTORY

- Original Contract: September 2000
- HUD Rebid in 2011: Protests lodged; 11 of 53 contracts awarded; Oregon given amended contract to perform 8 of 16 tasks (Management & Occupancy Reviews were removed)
- HUD Rebid in 2012: Protests lodged; court cases ensued; HUD lost case to bid contract as a cooperative agreement; must use procurement process

CONTRACT FUTURE

- HUD will solicit bids through procurement process
- Awards anticipated Fall/Winter of 2016
- HUD may bid the PBCA portfolio as 1 nationwide contract up to original 53 contracts
- HUD may use combination of HUD staff, PBCAs, and 3rd party contractors to perform scope of work
- If large, regional contracts, OHCS may have opportunity to bid as a subcontractor

CORE TASKS

Under the amended contract, OHCS performs the following Incentive-Based Performance Standards (IBPS) Tasks:

- Renewals of Expiring HAP Contracts
- Processing Rental Adjustments
- Review, Verify, and Authorize Monthly Section 8 Vouchers
- Life- & Non-Life Threatening Health & Safety Issues
- General Reporting Requirements

HOUSING STABILITY COUNCIL

Oregon Housing and Community Services

Portfolio Management Presentation:

Multi-family Housing

Asset Inventory and Risk Rating System

March 4, 2016

Overview of the Presentation

- Inventory:
  - Fiscal Year Ending June 30, 2015 Portfolio Summary
  - Portfolio Distribution: Pie Chart
  - The same portfolio from the Risk Rating viewpoint: Pie Chart
- Portfolio Review Process:
  - How we obtained an inventory of such a diverse and sizable portfolio
  - How we derived the rating system: Started with Department of Treasury and assigned rating categories relevant to Housing Finance Agencies.
  - Established a different review process for Individual vs. Bulk reviews.
  - Established the 5 most important risk analysis areas
- Why we do this – Portfolio Rating and Management Distinguished From Asset Management & Compliance.
  - What we can Expect from the system – A risk based portfolio review and rating.
  - What we cannot expect from the system. – No recommendations for those that originate, work out or manage compliance.
  - Overview summary and Questions

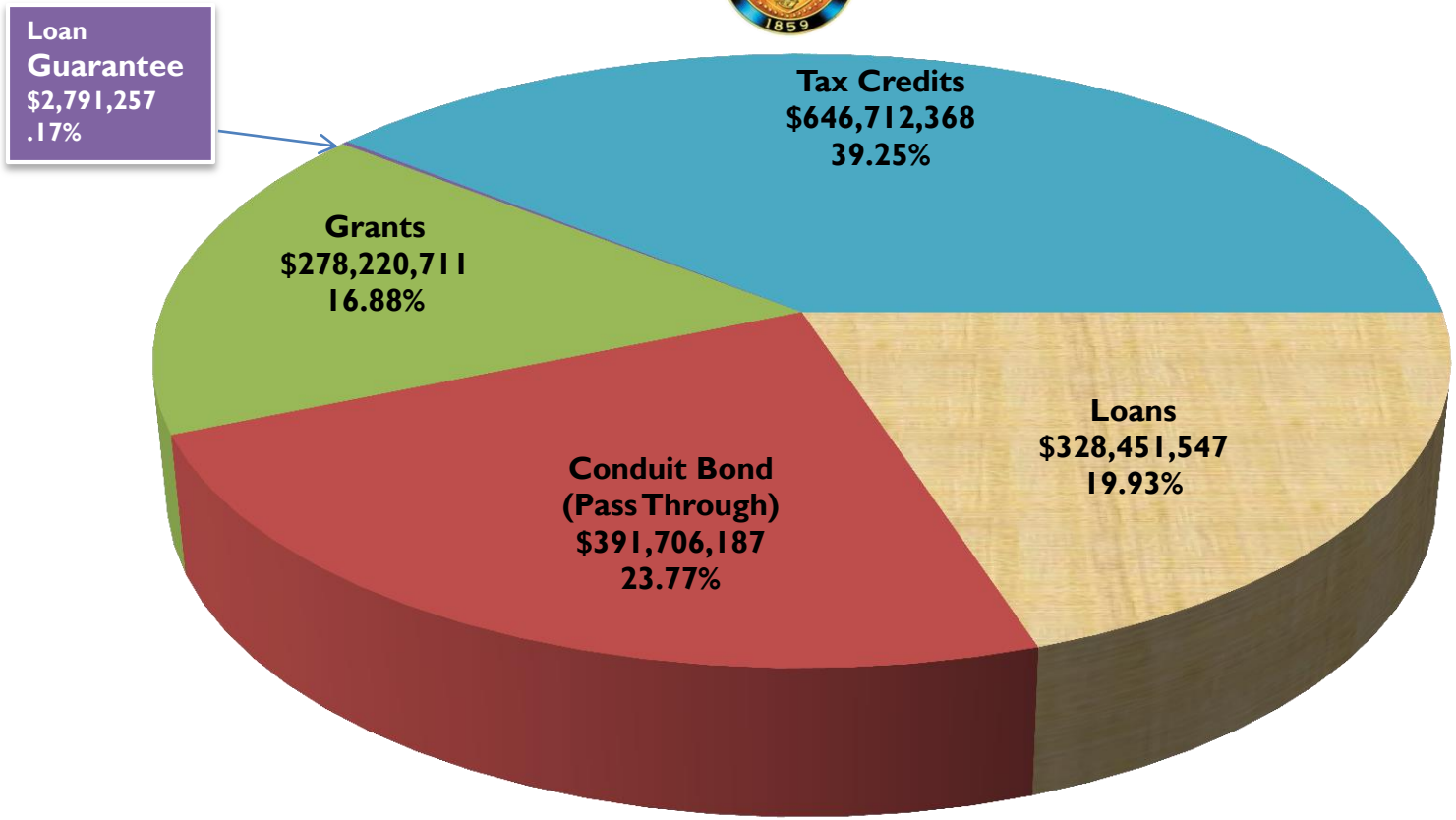
OHCS, Multifamily Housing Portfolio Inventory as of FYE June 30, 2015

I. Loan Portfolio Balance	$ 328,451,547
II. Award Portfolio (Grants, Tax Credits, Conduit Bond, Guarantees)	$1,319,430,524
III. Total OHCS Portfolio	$1,647,882,070
IV. Portfolio Valuation (**51,775 Units** x 585 avg sf x $200 all in psf)	$ 6,061,608,000

It is noteworthy that 51,775 units over 1,343 projects, in the OHCS statewide multifamily portfolio, *would not have been built or rehabilitated were it not for the efforts of the OHCS*. In response to an increasingly data driven, proactive risk rating environment, the Agency has taken the steps necessary to manage multiple source, portfolio project risk by adding the Inventory and Risk Rating Review System to its Asset Management and Compliance Monitoring efforts.

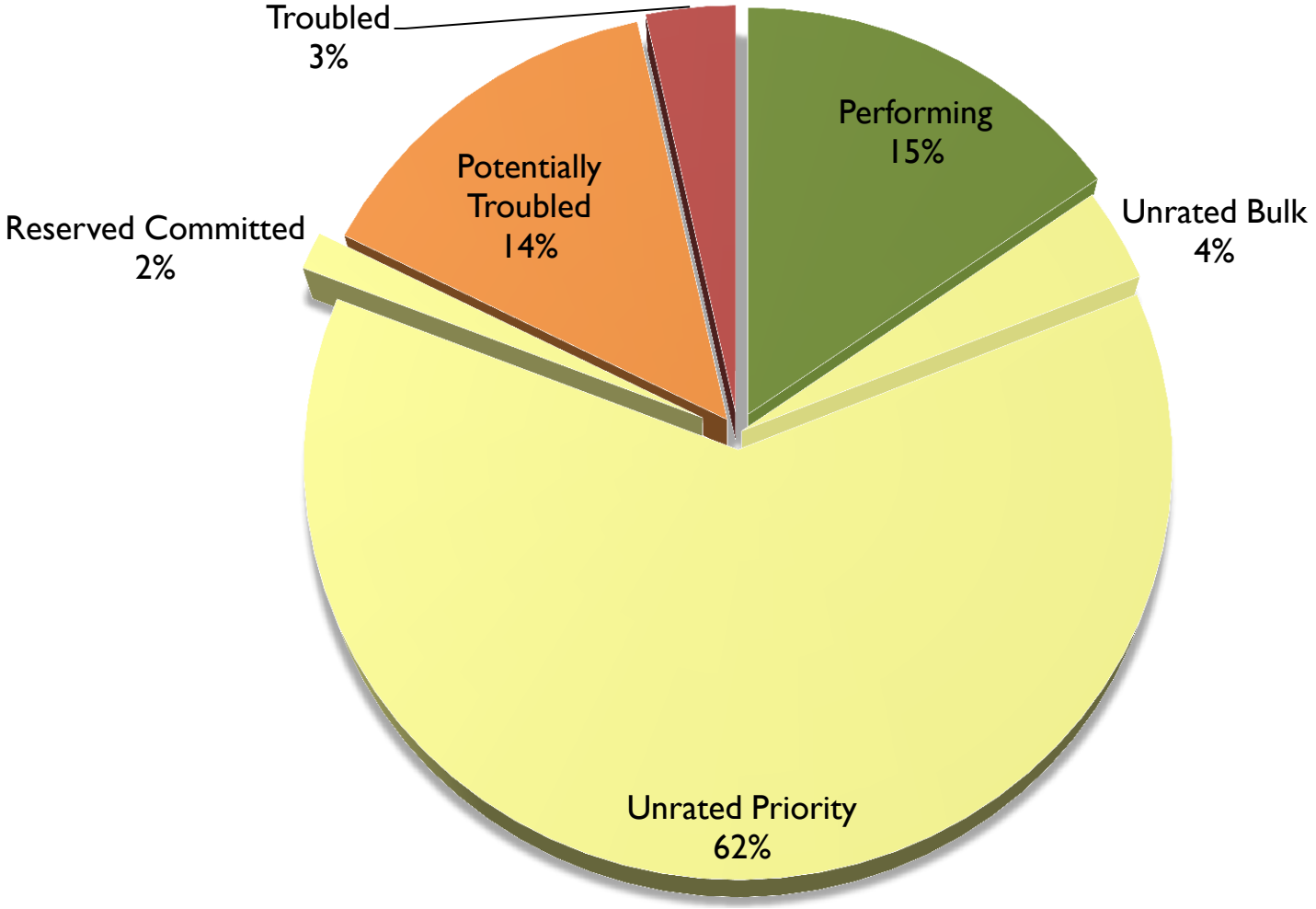
Total Portfolio Inventory Distribution

FYE 2014- 2015



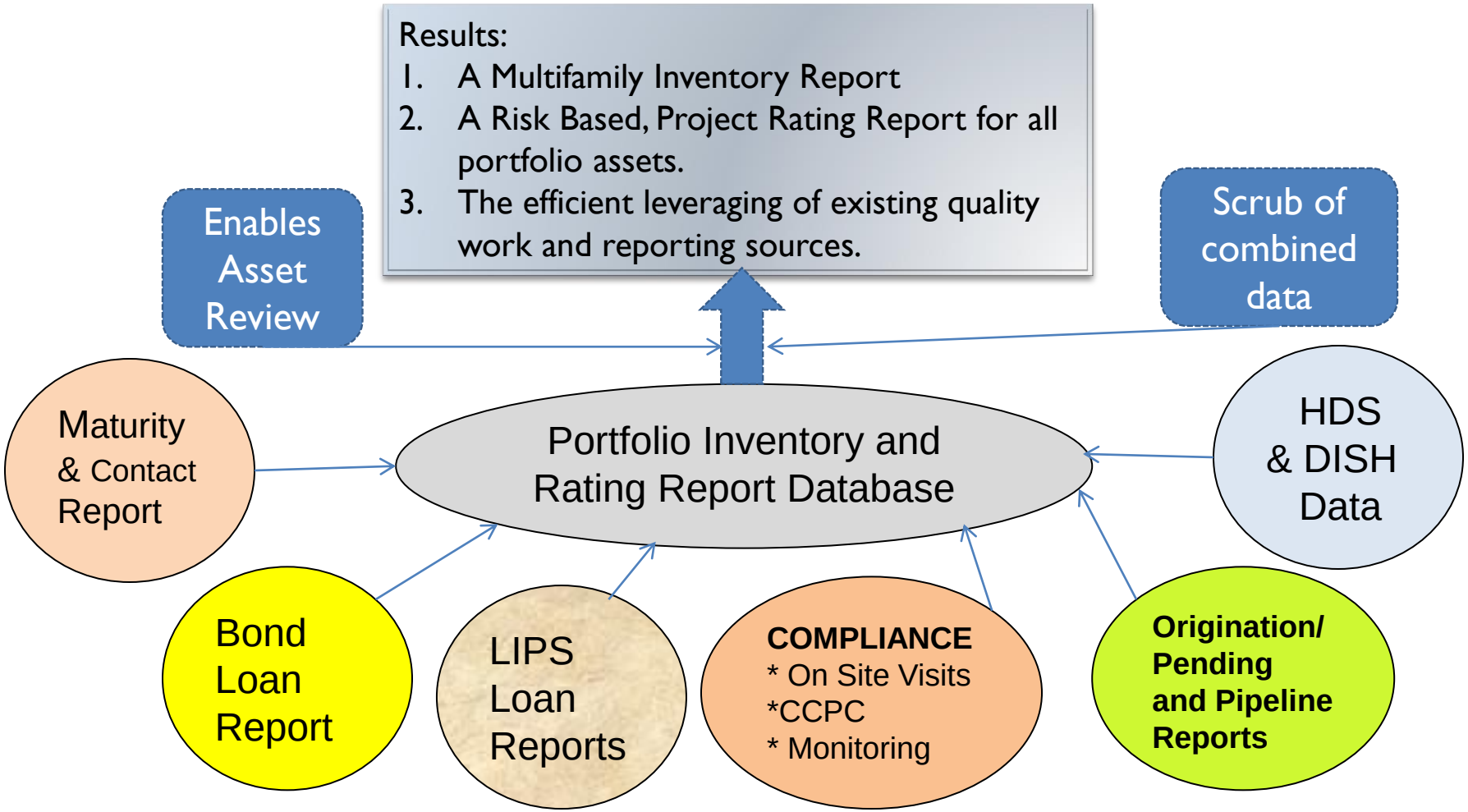
LOANS	CONDUIT BOND	GRANTS	LOAN GUAR.	TAX CREDITS	TOTAL
$328,451,547	$391,706,187	$278,220,711	$2,791,257	$646,712,368	$1,647,882,070

Same Portfolio - Risk Rated



Performing	Unrated Bulk	Unrated Priority	Reserved Committed	Potentially Troubled	Troubled	Portfolio Total
$251,979,910	$59,395,326	$1,020,981,122	$24,114,942	$233,982,780	$56,502,990	$1,647,882,070
131	411	653	28	88	32	1343 projects

How did we get the data that drives the Portfolio Management System?



A Risk Based, Asset Review & Rating System

1. What we *can* expect from the system:

A. **An accurate, risk rated, Inventory report** , available in different formats, to assist all management levels.
B. **An independent review** of *existing portfolio* and *newly funded pipeline projects*.
C. **A periodic review cycle** of review of all assets - frequency based on the rating .
D. **A consistent reporting mechanism**. Monthly schedule of project assessments, ratings and classification changes. This will be reviewed by the Asset Management Manager and will be submitted to the Financial Committee (FC), quarterly, for Director approval.

2. What we *cannot* expect from the system:

Action plans for the improvement of projects. The reviewer does not work assets. Rather, financial, compliance, and other data (from reliable, internal, sources) is gathered and analyzed, to construct a bottom line, project assessment and rating. The reviewer goal is to: a) determine the status of the project, b) assess the impact and progress of the efforts taken to mitigate loss, c) assign a rating and d) generate a report that communicates the results to management and stakeholders.

Individual vs. Bulk Reviews

All Housing Finance Division projects are reviewed. In order to best use limited analyst review time, the scope and elements of the *Individual* vs. the *Bulk* review will differ. Let's see how:

THE INDIVIDUAL ASSET REVIEW (IAR):

1. Individual project review and rating are performed for:
   a) high risk projects – those that have HOME, LIHTC, RS Bond, ED Bond and similar risk funding sources.
   b) projects $500,000 or greater in OHCS, total funding sources.

2. Elements of the Individual Asset Review
   a) Data Accuracy is verified and a 5 step analysis done to support a resulting rating.
   b) The areas of review are Project and Physical condition Data, Compliance, Debt and Equity, Valuation and Pay History and Financial Analysis (including DCR and adequacy of replacement and capital reserves.
   c) All if the 5 sections must be completed before a rating is determined.

Individual vs. Bulk Reviews

BULK ASSET REVIEW (BAR):

- Bulk portfolio reviews of projects are grouped into two categories: 1) those that were originated, and continue to be monitored by OHCS and 2) those originated by OHCS but are being monitored by another agency. Most of these, are grants, managed by the Department of Health Services (DHS). Since OHCS is responsible only for oversight of those grants, a bulk review is appropriate.

1. Those that are monitored by OHCS (usually smaller dollar amounts): This will be done in a narrative format. The reviewer will make a narrative report. If more than 20% in either number of projects, or portfolio balances have negative findings, individual reviews may be instituted.
2. Projects that are monitored by others (an example are the Loans DHS is managing): OHCS initially funded the loans, but continuing covenant restrictions and requirements management is done by DHS. In that scenario, OHCS retains a Fiduciary Oversight duty that is satisfied by the bulk review process.
3. The bulk review process also provides the model for any other asset, portfolio or program performance reports.

Areas of Analysis

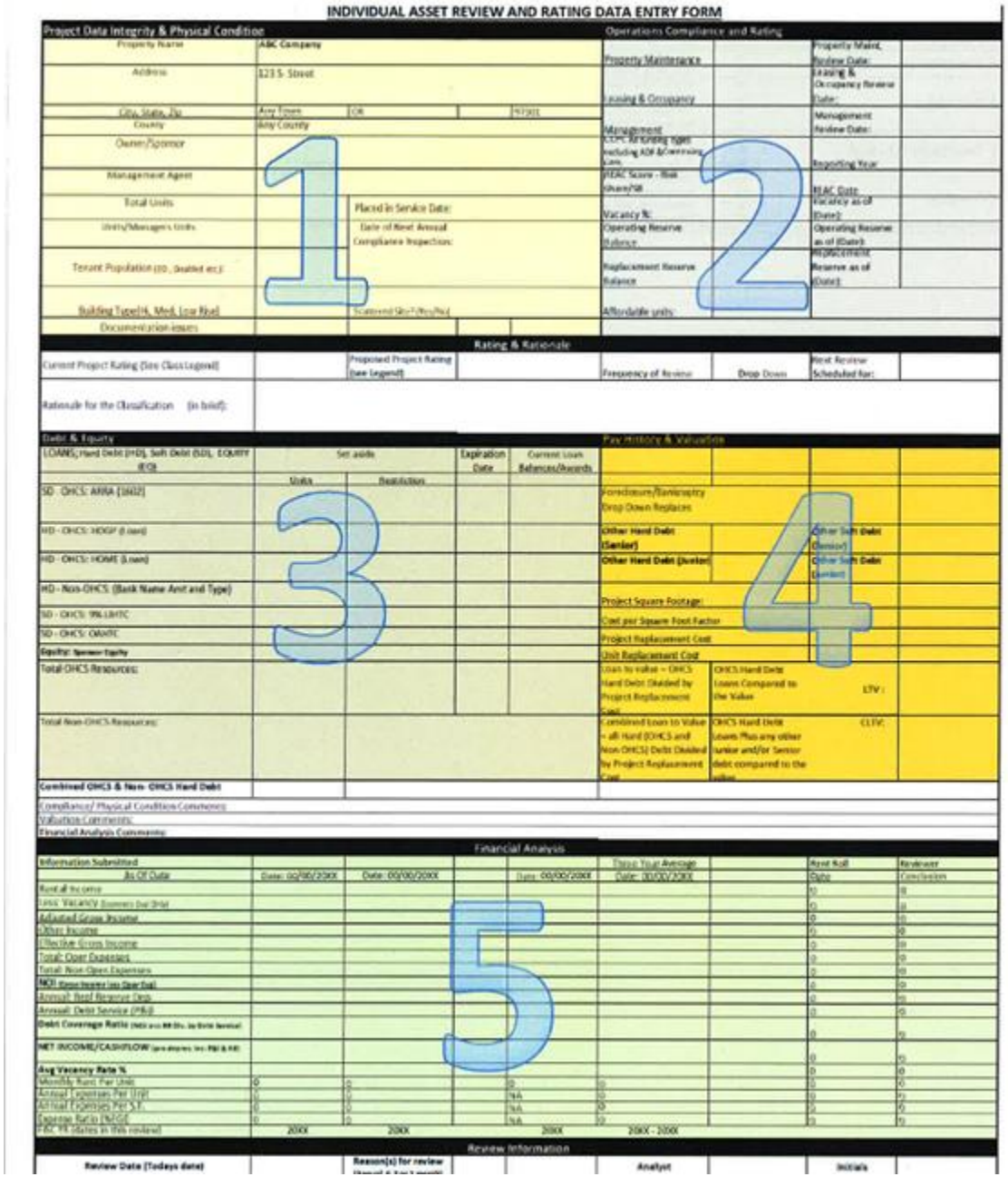
1. Project Data Integrity: *Leverage DISH, HDS*

2. Operations and Compliance: Leverage Compliance Officers, on site, visits and other work.

3. Debt & Equity: Leverage DISH and other sources.

4. Pay History and Value: Leverage internal Delinquency reports. Value determined by applying a current per square foot cost to DISH project square foot, data.

5. Financial Analysis: Leverage Financial audit process in place.



Classification Legend

Classification	Code	Description	Review Cycle
Performing	10	No Financial, Compliance or physical conditions issues	12 months
10 Series	11	Performing. Minor Financial, Compliance, Physical, Legal or Data Integrity concerns.	6 months
Not Rated	20	New portfolio waiting for 1st review	6 months
20 Series	21	Not Rated - Priority	3 months
	22	Not Rated - Reserved/Committed	6 months
	23	Not Rated - Expiration of Restrictions, Payoffs in 12 months or less	None
Potentially Troubled	30	Performing but has an unresolved issue	6 months
30 Series	31	Continuing Performance issue(s), improvement plan may be in place	3 months
	32	Perfoming but has a significant maintenance issue(s)	3 months
Troubled	40	Non performing or Serious Financial, Compliance,Physical, Legal, or Data Integrity	3 months
40 Series	41	Improvement Plan in place but improvement is doubtful	1 month
	42	Improvement plan has not worked. Consider repositioning or debt restructuring	1 month
	43	Project viability, units taken off line and financial losses expected	1 month

Note: Asset "Review Cycles" shown above, are separate and distinct from Compliance and all other monitoring schedules.

Portfolio Review Schedule (as of 2/23/16)

Property Name	Underlying Entity or Owner	Most Restrictive OHCS Funding Source	Analyst	Project Total OHCS Funding Sources	Purpose of the Review	CLASS		Review Dates	
						Current	Proposed	Current Review	Next Due
February 2016									
Hazelwood Retirement	Hazelwood Group LLC	ED Bond Loan	Kimber Sexton	6,042,153	Assistance Request	43	43	1/28/2016	2/28/2016
Fox Pointe Apartments	Fox Pointe LP	Risk Share Bond Loan	Sherene Dennis	3,541,584	Scheduled	40	40	11/23/2015	2/23/2016
March, 2016									
Lake Crest Apartments	Lake Crest LIH LP	Risk Share Bond Loan	Sherene Dennis	7,795,407	Scheduled	30	43	2/3/2016	3/3/2016
Linnhaven & Stonebrook	WNHS Linhaven Stonebrook LLC	LIHTC	Sherene Dennis	3,835,746	Scheduled	31	30	9/27/2015	3/27/2016
April, 2016									
Willamette Gardens	Willamette Garden Apts, LLC	Risk Share Bond Loan	Sherene Dennis	14,809,144	Scheduled	30	31	1/12/2016	4/12/2016
Arbor Glen	Whispering Winds	LIHTC	Sherene Dennis	5,811,808	Scheduled	30	30	10/14/2015	4/14/2016
Fifth Avenue Court	221 NW Fifth Ave, LLC	Risk Share Bond Loan	Sherene Dennis	5,170,912	Scheduled	10	11	10/13/2015	4/13/2016
Autumn Park Apts	Autumn Park Renewal LP	LIHTC	Sherene Dennis	4,821,780	Scheduled	10	11	10/15/2015	4/30/2016
Village Garden Apts	Village Garden, LLC	Risk Share Bond Loan	Sherene Dennis	1,507,681	Scheduled	40	40	1/6/2016	4/6/2016
May, 2016									
Willamina Villa - Beaver State	Beaver State Apts, LLC	LIHTC	Sherene Dennis	3,370,245	Scheduled	30	31	2/5/2016	5/5/2016
Ridgecrest Timbers	Ridgecrest Timbers Apts, LLC	Risk Share Bond Loan	Sherene Dennis	2,968,537	Scheduled	40	40	2/9/2016	5/9/2016
Valley Pines Apartments	Valley Pines LIH LP	Risk Share Bond Loan	Sherene Dennis	2,896,522	Scheduled	30	31	2/5/2016	5/5/2016
Forest Park Apts	Tanglewood LP	Risk Share Bond Loan	Sherene Dennis	2,504,234	Scheduled	10	11	11/23/2015	5/23/2016
Bluffs Apartments, The	Bluffs LIH Limited Partnership	Risk Share Bond Loan	Sherene Dennis	2,100,854	Scheduled	30	31	2/5/2016	5/5/2016
June, 2016									
Gateway Park Apts	Gateway Park Apartments LP	Risk Share Bond Loan	Sherene Dennis	6,222,281	Scheduled	10	30	12/4/2015	6/4/2016
Ariel South Apts	Ariel South Lim Partnership	Risk Share Bond Loan	Sherene Dennis	4,621,554	Scheduled	10	30	12/17/2015	6/17/2016
North Main Apts	North Main Apts LLC	Risk Share Bond Loan	Sherene Dennis	4,099,360	Scheduled	10	11	12/8/2015	6/8/2016
Greenburg Oaks	Villa La Paz Lim Partnership	Risk Share Bond Loan	Sherene Dennis	3,168,461	Scheduled	10	11	12/4/2015	6/4/2016
Hewitt Place	Hewitt Place II GP LLC	LIHTC	Sherene Dennis	2,298,237	Scheduled	10	11	12/3/2015	6/3/2016
July, 2016									
Troutdale Terrace	Troutdale Terrace LP	Risk Share Bond Loan	Sherene Dennis	13,575,599	Scheduled	10	11	1/11/2016	7/11/2016
West Ridge Meadows Apts	West Ridge Limited Partnership	Risk Share Bond Loan	Sherene Dennis	13,456,668	Scheduled	10	11	1/11/2016	7/11/2016
Springtree Apartments	Springtree Limited Partnership	Risk Share Bond Loan	Sherene Dennis	2,680,504	Scheduled	30	30	1/8/2016	7/8/2016
August, 2016									
Wood Ridge Apartments	Wood Ridge Limited Partnership	Risk Share Bond Loan	Sherene Dennis	15,100,935	Scheduled	10	11	2/3/2016	8/3/2016
Montebello - Beaver State	Beaver State Apts, LLC	Risk Share Bond Loan	Sherene Dennis	8,429,750	Scheduled	30	31	2/4/2016	8/4/2016
Stratford Apts- Beaver State	Beaver State Apts, LLC	Risk Share Bond Loan	Sherene Dennis	5,952,083	Scheduled	10	11	2/4/2016	8/4/2016
65 Projects Reviewed	***Illustration of Actual Form**		**Fundings:**	**$184,640,872***	**11.20%**		**New Rating**		**Periodic Review**

Summary and Overview

The Multifamily Portfolio Inventory and Rating Report System is a tool for fulfilling the Department's fiduciary, portfolio management, asset management and compliance responsibility. The 5 critical risk areas of data analyzed, supported ratings recommendations and enable real time, decision making. The result is a data driven, but still transparent and understandable, rating of the portfolio.

To summarize what we have discussed:

1. The impressive OHCS inventory of $1.6 billion in funding sources for over 51,775 units in projects valued at over $6 billion.

2. The compilation of various departmental asset schedules into one, multi-family, inventory. This allowed us to group the portfolio into Loans, Tax Credits Grants and Bonds.

3. The use of leveraging existing quality work to create a 5 section, Asset Review Database and Individual Project Reports.

4. The 5 critical analysis areas that are needed to recommend a project rating.

5. Portfolio Review and Rating System expectations:

*We CAN expect an internal, risk based, rating of the entire multifamily portfolio. Each rating (Individual Project or Bulk) is supported by analysis of the 5 critical review areas.

* We Cannot expect recommendations to those who originate, work out or manage compliance because those areas are included in the scope of the performance rating process.

PROPERTY REVIEW AND RATING REPORT

Property Data and Integrity

Property Name	EXAMPLE		
Address			
City, State, Zip	Portland, OR	OR	972042712
County	Multnomah		
Owner			
Underlying Entity			
Management Agent	Cascade Management, Inc.		
Total Units	90	In Service Date	12/01/99
Units/Manager Units	1	Next Inspection	4/2016
Tenant Population	MFH-High Rise		
Building Type		Scattered Site?	N
Data Integrity/Documentation Issue?	Minor Documentation Issue Noted		

Operations, Compliance and Physical

Property Maintenance	Meets	Review Date	4/16/2015
Leasing & Occupancy	Meets	Review Date	4/16/2015
Management	Meets	Review Date	4/16/2015
CCPC Submission	Current	Reporting Year	12/31/2014
REAC Score	91c	REAC Date	12/5/2013
Vacancy	0.00	As Of Date	11/30/2015
Op Reserve Balance	229,192.00	As Of Date	12/31/2014
RR Reserve Balance	216,406.00	As Of Date	12/31/2014

Rating and Rationale

Current Property Rating (see Class Legend)	10	Proposed Property Rating	10	Frequency of Review	Annually	Next Review	12/2016

Rationale for the Classification (in brief): Recommend Property rating remain a 10 based upon acceptable Data Integrity, Debt, Pay History & Equity, Operation, Compliance, Physical, Valuation and Financial Analysis.

Debt, Pay History and Equity

Hard Debt (HD),Soft Debt (SD) or EQUITY	Current Balance	Expiration/Set Aside	Delinquent?
SDOTHER: Portland Housing Bureau (Rehabilitation Loan)	$3,269,125	2049	N
SDOTHER: Developer Note (General Partner)	$127,610		N
EQ: LIHTC 4%	$192,670	2060 / 89 Units@60%	N
HDOHCS: RS (Loan)	$2,369,181	2031 / 36 Units@50%	N
SDOTHER: Portland Housing Bureau (EGL/HDSL)	$441,674	2030	N
OHCS Total Sources	$2,561,851	Most Restrictive OHCS Source:	

Valuation

Property Square Footage	40,957
Cost per Square Foot Factor	200
Property Replacement Cost	8,191,400
Unit Replacement Cost	91,016
Total OHCS Debt:	$2,369,181
LTV:	28.92%
Total Non-OHCS Debt:	$3,838,409
Total Debt:	$6,207,590
CLTV:	75.78%

Data Integrity:	Documentation: Elect to begin credit conflict between the 8609 line10a and the 2015 Extended-Use LIHTC/Risk Share Program Review Report (post 15); not significant enough to affect project rating.
Debt, Pay History and Equity:	Equity: acceptable based upon replacement cost LTV/CLTV percentage and strong equity of over 1.5 million after debt. Pay History: OHCS loan is current. Not aware of any outside delinquencies or legal actions.
Operation, Compliance and Physical:	Acceptable with no known issues.
Valuation Comments:	Valuation: $200 used for PSF for replacement value calculation
Financial Analysis Comments:	Financials is acceptable based upon DCR consecutively at or above1.15; evidenced by three year financial reviews; most current year no audit findings.

Financial Analysis

Information Submitted	Audited Financial	Audited Financial	Audited Financial	**Average**
As Of Date	12/31/2014	12/31/2013	12/31/2012	
Rental Income	$945,223.00	$860,504.00	$851,346.00	**$885,691.00**
Less: Vacancy (Economic Eval Only)	$52,130.00	$52,067.00	$44,502.00	**$49,566.33**
Adjusted Gross Income	$893,093.00	$808,437.00	$806,844.00	**$836,124.67**
Other Income	$17,861.00	$22,566.00	$17,719.00	**$19,382.00**
Effective Gross Income	$910,954.00	$831,003.00	$824,563.00	**$855,506.67**
Total: Oper Expenses	$439,088.00	$474,033.00	$444,121.00	**$452,414.00**
Total: Non Oper.Expenses	$577,783.00	$234,181.00	$581,512.00	**$464,492.00**
NOI	$471,866.00	$356,970.00	$380,442.00	**$403,092.67**
Annual: Repl Reserve Dep.	$18,000.00	$18,000.00	$18,000.00	**$18,000.00**
Annual: Debt Service (P&I)	$245,923.00	$246,407.00	$245,786.00	**$246,038.67**
Debt Coverage Ratio (NOI less RR Div. by Debt Service)	1.85	1.38	1.47	**1.57**
Net Income/Cash Flow	($105,917.00)	$122,789.00	($201,070.00)	**($61,399.33)**
Average Vacancy Rate	1.11%	2.13%	2.78%	**2.01%**
Annually Rent Per Unit	$10,502.48	$9,561.16	$9,459.40	**$9,841.01**
Annual Expenses Per Unit	$4,878.76	$5,267.03	$4,934.68	**$5,026.82**
Annual Expenses Per S.F.	$10.72	$11.57	$10.84	**$11.05**
Expense Ratio (%EGI)	48.20%	57.04%	53.86%	**53.04%**
Fiscal Year	2014	2013	2012	

Review Information

Review Date	12/9/2015	Reason(s) for Review	Scheduled Review	Analyst	Sherene Dennis
Next Review Date	12/9/2016	Compliance Officer	Tracy Blanchard	Manager	Ryan Miller

Legend

Classification	Rating	Description	Review Cycle
1. Performing	10	No Financial, Compliance or physical conditions issues.	12 months
	11	Performing. Minor Financial, Compliance, Physical, Legal or Data Integrity concerns	6 months
2. Not Rated	20	New portfolio waiting for 1st review	8 months
	21	Not Rated - Priority	6 months
	22	Not Rated - Reserved/Committed	3 months
	23	Not Rated - Expiration of Restrictions, Payoffs in 12 months or less	
3. Potentially Troubled	30	Performing but has one unresolved issue	6 months
	31	Continuing Performance issue(s), improvement plan may be in place	3 months
	32	Performing but has a significant maintenance issue(s) not being addressed in reserves	3 months
4. Troubled	40	Non performing or Serious Financial, Compliance, Physical, Legal or Data Integrity	3 months
	41	Improvement Plan in place but improvement is doubtful	1 months
	42	Improvement plan has not worked. Consider repositioning or debt restructuring.	1 months
	43	Project viability, units taken off line and financial losses expected.	1 months

Oregon
Governor Kate Brown

Housing and Community Services
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725 Summer St NE, Suite B
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PHONE: (503) 986-2000
FAX: (503) 986-2020
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www.ohcs.oregon.gov

Date: March 4, 2016

To: Housing Stability Council Members
Margaret S. Van Vliet, Director

From: Julie V. Cody, Assistant Director Housing Finance

Re: LIFT Program Update and Follow-up

Background

The LIFT program framework was presented to the Housing Stability Council (HSC or Council) at the February 5, 2016 meeting. The framework document has been attached for your reference. Council members provided some feedback, recommendations, and open questions for staff to provide additional information and bring back to a future HSC meeting. This memo summarizes the input provided by Council at the February meeting as well as provides additional information that was requested. Staff has outlined the open questions that will need additional dialogue and direction from HSC before the LIFT program framework can be finalized.

In the meantime, SB 1582 is working its way through the Legislative process during the 2016 short session. This bill provides sideboards for the LIFT program. Within SB 1582 the Housing Stability Council (HSC) will have the following roles in the final development of the LIFT program:

- Advise and consent on development and implementation of the LIFT program;
- Advise and consent on distribution of resources statewide and the development of a formula to determine need;
- Help develop strategies to reach historically underserved communities, reduce the cost of affordable housing, and involve DHS; and
- Advise OHCS in the development of, and consent to, the Oregon Administrative Rules that will guide the implementation of the LIFT program, including prescribing requirements for owning/operating.

In addition HSC will receive regular reports from the Department on implementation and administration of the program.

Housing Stability Council Advice

Development and Implementation of LIFT Program - Open Issues/Questions LIFT Framework

At the February HSC meeting staff provided a LIFT program design update that included the draft LIFT Program Design Framework document (Framework). The Framework was informed by the two (2) subcommittees (Policy and Financial Structuring), input from the Governor's office, Legislature, and OHCS leadership. During the discussion there were three concepts that Council members provided advice and wanted to have more discussion about. Those concepts are as follows:

- Ownership/Operating Structure
- Construction Standards/Tradeoffs
- Subsidy per Unit

Ownership/Operating Structure

Council was very interested in making sure that with respect to how OHCS was going to meet the Article XI-Q bond requirement of owning or operating a project that we strive for predictability for applicants. To that end, staff is scheduled to meet with DOJ to come up with a set of potential legal documents that would meet the program's need to own or operate a project.

Once we have a set of documents we will be reaching out to a number of stakeholders, including developers, lenders, and tax credit investors to ensure questions and concerns can be raised prior to any LIFT solicitation. The form documents will then be incorporated into the solicitation to ensure that applicants are clear on the requirements of financial structuring.

DISSCUSSION QUESTIONS:

- **Does Council agree with approach to defining and communicating the requirements of ownership/operating structure?**
- **Does Council have any additional advice with respect to providing predictability to applicants?**

Construction Standard and Tradeoffs

The Framework currently establishes that both traditional and alternative/innovative methods of construction are allowable within the program design. There is a focus on quality and durability taking into account that the minimum period of affordability will be 20 years.

The Framework does not contemplate establishing a prescriptive green building standard or building method, but there is a focus on keeping on-going operating expenses low and a desire not to burden tenants with higher than average utility expenses. This will ultimately be a balance act to allow for lower cost buildings that are durable and efficient.

Staff is recommending to Council that the further definition around quality and durability be delegated to our staff architect with additional input on the front end from Council.

DISSCUSSION QUESTIONS:

- **Does Council want to set or require any green building standards for the LIFT program?**
- **Should a preference be given in the scoring methodology for energy efficient or green building standards?**
- **Are there other considerations that Council would like staff to consider when finalizing construction standards?**
- **Does Council agree to delegate final construction standards to staff?**

Cost per Unit/Modeling Assumptions

$32,000 is based on the performance goals of maximizing production and reducing the cost of producing affordable housing. Staff, with the help of the Financial Structuring subcommittee looked at a number of models based on a set of assumptions. By setting the subsidy at $32,000 per unit there is assurance that the program would create a minimum of 1,250 new affordable units. There is also an assumption that with the use of additional innovative development concepts that the need for gap funds would be reduced. The program design also allows for the utilization of the 4% LIHTC program in the case of more

traditional development methodologies, but as you can see from the table below, requires that attention be paid toward cost saving methodologies.

The table below show the gap per unit based on the various construction costs that have been obtained utilizing RS Means; OHCS portfolio projects; and concepts that were brought up in the subcommittee meetings. As you can see the gap is larger than $32,000 when looking at a number of models and is largely influenced by the cost of land per unit. In section below labeled ***Strategies for Reducing Cost of Constructing Affordable Housing***, you will see a number of strategies that could be employed to reduce the gap per unit.

Gap per unit					**4% LIHTC**	**4% LIHTC**	**4% LIHTC**
	Hard and Soft costs:	**$75/sqft $50k/unit**	**$96/sqft $67k/unit**	**$140/sqft $94k/unit**	**$120/sqft $81k/unit**	**$170/sqft $115k/unit**	**$240/sqft $162k/unit**
Acquisition costs	**$5k/unit**	$27,000	$41,675	$71,375	$31,412	$54,136	$85,950
	$10k/unit	$32,000	$46,675	$76,375	$36,412	$59,136	$90,950
	$20k/unit	$42,000	$56,675	$86,375	$46,412	$69,136	$100,950

Modeling is based on the following set of assumptions:
40 unit project
60% rents on all units
Utility allowance: $78/1 bedroom; $88/2 bedroom; $98/3 bedroom
Operating costs = $4,000/unit/year
Replacement Reserve = $350/unit/year
Unit Mix: 1 bedroom units 25%; 2 bedroom units 50%; and 3 bedrooms units 25%
Unit Size: 1 bedroom = 525 sq ft; 2 bedroom = 725 sq ft; 3 bedroom = 925 sq ft
Vacancy Rate: 7%
Debt Coverage Ratio: 1.20:1

DISSCUSSION QUESTIONS:

- **Does Council agree with approach to setting the per unit subsidy at $32,000 per unit?**
- **If not, what additional information would Council like to see before finalizing the maximum level of subsidy being offered in the LIFT Program?**

<u>Other Framework Requests from Council</u>
At the February HSC meeting it was acknowledged that in the initial solicitation of the LIFT program, homeownership models would not be considered. There was a strong desire of the Council that staff continues to explore the use of Article XI-Q Bonds to advance affordable homeownership initiatives such as land trust or Habitat for Humanity models.

Staff believes that there is a viable path that will allow the use of LIFT funds to be utilized for homeownership in the future. OHCS would meet the ownership requirement through the ownership of the underlying land. One of the challenges that will need to be addressed is need of OHCS to not subordinate its land lease to the lender making a loan on the home. Staff believes there are existing

models that could be utilized to ensure the requirements of Article XI-Q bonds, while allowing for a homeownership model. And while we do not recommend inviting homeownership proposals in our first offering, OHCS would propose to further explore the options should additional resources be appropriated by a future legislature.

Distribution of LIFT Resources and Need Formula

The LIFT Program Design Framework sets out an allocation methodology as follows:

- 50% of the funds will be allocated to Rural Communities
- 50% of the funds will be allocated to prioritize serving Communities of Color
- OHCS will seek to have geographic diversity when awarding projects.

The Policy Subcommittee took the question of how the LIFT resource should be distributed throughout the state, including the factors that should be considered in creating a need formula. Their recommendation about how to determine community based need is to utilize the following factors by county:

- Nonwhite and Hispanic poverty rate
- Family poverty rate
- Child abuse and neglect victim rate
- Extremely low income households with severe housing problems

The way the need formula would be utilized in the allocation of funds would be that projects in those counties that have a higher need ranking, based on the formula, would receive more points in the scoring process. This would allow all projects in all counties to apply, but provide a preference to those projects in higher need counties. A map is attached that shows how all 36 counties rank when utilizing the recommended need formula.

Staff is also continuing to talk with staff at DHS to determine whether or not they have specific priorities areas that could also be overlaid in the scoring methodology for projects that are applying for LIFT funds as a DHS project.

To ensure that the LIFT resources are allocated equitably across the state, staff is also looking at language in the solicitation that would give OHCS, and the scoring committee, the opportunity to not necessarily recommend awarding projects solely based on score, but rather potentially utilizing a cap set as a percentage of the total amount of resource available for any one community.

DISSCUSSION QUESTIONS:

- **Does Council agree with the formula factors that would be used to provide preference points in the scoring methodology?**
- **If not, are there other factors that Council would like staff to explore?**
- **Does Council have specific thoughts about limiting resources available to any one community?**
- **What, if any, additional information does Council need to provide consent to the distribution of LIFT resources statewide.**

Strategies for Reaching Historically Underserved Communities

For the purposes of the LIFT program, underserved communities have been defined as:

- Rural Communities
- Communities of Color

Rural Communities

In the current LIFT Program Framework, Rural Community is defined as any community with a population of 25,000 or less that is located outside of the Portland Urban Growth Boundary.

At the February HSC meeting a question regarding the proposed definition of Rural Communities was raised with respect to very rural counties where there may only be one larger community that may have a population greater than 25,000 that would have the appropriate wrap around services for DHS clients, such as Josephine County/Grants Pass.

Staff has looked at a couple of other ways that Rural Communities could be defined that would address the issue raised in February.

- By expanding the population threshold to include any community within a county of less than 85,000 in population, regardless of the size, one city with population greater than 25,000 (Grants Pass) would be added to the eligible target area for "Rural Community".
- By increasing the definition of a minimum size within the definition of a Rural Community from 25,000 to 40,000, four (4) additional communities would be added to the eligible target area for "Rural Community" – Keizer, Grants Pass, McMinnville, and Redmond.

When considering changes to the definition of Rural Community, Council should keep in mind that a project could be sited in a community with a population of greater than 25,000 by meeting the requirements for serving a Community of Color. For example, when this question was raised and the example of Grants Pass was utilized, there was a mention of the fact that Grants Pass could also be considered a Community of Color. If this is indeed the case, and a project in Grants Pass were to apply through that "door" then the size of the community would not come into play.

DISSCUSSION QUESTIONS:

- **Does Council advise OHCS to offer a change the definition of Rural Community that is different than the current definition that was outlined by the Governor in the early phases of program development?**

Communities of Color

In the current LIFT Program Framework, Community of Color is defined as:

i. A project that is sited to prioritize housing opportunity for communities of color by serving to prevent or address displacement;
ii. A demonstrated partnership with a culturally specific organization through an executed Memorandum of Understanding or an organization with diverse and representative leadership
iii. The applicant will also have a marketing and outreach plan designed to publicize to communities of color the availability of these housing opportunities and affirmatively further fair housing.

At the February HSC meeting, there were questions that arose around what does it mean to serve a community of color and how does this concept intersect with fair housing rules, as well as how are culturally responsive organizations defined? Below is some additional information regarding Fair Housing and what it means to be culturally responsive.

Fair Housing Issues and Serving Communities of Color

- Fair Housing prohibits the targeting or exclusion of any protected class; including all race and ethnic groups.
- Intent of 'serving communities of color' for the LIFT program is not to limit tenancy by race / ethnicity. The intent is to ensure that the housing is made available to and is responsive to the needs of historically underserved population groups; in this case, communities of color.
- Communities of color is defined as racial / ethnic groups that have been historically underserved and is not specific to a geographic area or determined by specific geographic demographic factors
- The process of applying under the path of 'serving a community of color' will require that applicants demonstrate strategic site selection that either provides opportunity or serves to prevent displacement. In addition, strategic partnerships with culturally responsive organizations must be in place in order to deliver on a deliberate plan to affirmatively further Fair Housing.

What does it mean to be culturally responsive?

- The Coalition of Communities of Color defines culturally responsiveness as follows:

  "Culturally responsive services are those that are respectful of, and relevant to, the beliefs, practices, culture and linguistic needs of diverse consumer/client populations and communities whose members identify as having particular cultural or linguistic affiliations by virtue of their place of birth, ancestry or ethnic origin, religion, preferred language or language spoken at home. Cultural responsiveness describes the capacity to respond to the issues of diverse communities. It thus requires knowledge and capacity at different levels of intervention: systemic, organizational, professional and individual.
- A culturally responsive organization is thus one that has comprehensively addressed power relationships throughout the organization, from the types of services provided and how it maximizes linguistic accessibility, to its human resources practices – who it hires, how they are skilled, prepared and held accountable, to its cultural norms, its governance structures and policies, and its track record in addressing conflicts and dynamics of inclusion and exclusion, to its relationships with racial groups in the region, including its responsiveness to expectations. Furthermore, a culturally responsive organization is one that is dynamic, on a committed path to improvement and one that is hardwired to be responsive to the interests of communities of color, service users of color and staff of color."
- Additional resources include - Protocol for Culturally Responsive Organizations; Curry-Stevens, Reyes & Coalition of Communities of Color. The CARE report can be found on the Housing Stability Council website.

DISSCUSSION QUESTIONS:

- **Does Council advise OHSC to offer any changes to the definition of Community of Color?**

Staff is working on a communication and outreach plan that will include the following:

- Outreach with local communities, including DHS representation
- Solicitation of developer community to garner program interest; as well as seeking geographic and racial diversity.
- Engage with other stakeholders such as Housing Authorities, service providers, lenders, and investors to ensure the groups understand how to engage with the LIFT program
- Relay program information and parameters as we move from program design to implementation
- Providing regular written and verbal updates to stakeholders, partners, legislators and HSC as appropriate

In addition, for the LIFT program, the United Way Cohort has been working on conceptual frameworks for identifying what it means to develop culturally responsive partnerships. The goal of these partnerships is apply an equity lens to LIFT and identify a structure that works statewide to increase access to housing as well as create meaningful partnerships.

DISSCUSSION QUESTIONS:

- **Does Council have suggestions for additional strategies to reach historically underserved communities that they would like staff to employ as they plan for program implementation?**

Strategies for Reducing Cost of Constructing Affordable Housing

In modeling a number of scenarios during the development of the LIFT Program Framework, the following strategies have been identified that could be utilized to reduce the cost of constructing affordable housing from the projects that have historically utilized the LIHTC program. Those strategies include:

- Alternative construction method and unit types (manufactured homes, tiny homes, etc.)
- Mixed income development that would allow market rate units to subsidize affordable units.
- Additional sources of non-state gap funds
- Developer equity
- Designing smaller square foot unit sizes than typically in the market
- Leverage of project based rent assistance that provides income to the project above 60% rents
- Limiting the cash developer fee that can be taken at time of construction and deferring the remaining fee.
- Seeking out land donation from a local government
- Targeting dense development on lowest cost land to lower the acquisition cost per unit
- Employing strategies for lowering operating costs, this could be through innovations in construction methodologies or other on-going operational and management means.

DISSCUSSION QUESTIONS:

– **Does Council recommend any additional strategies that OHCS could incorporate into the program that would address cost reduction?**

Strategies for Involving the Department of Human Services (DHS)

DHS was a participant in the Policy Subcommittee. We have discussed the following strategies for involving them in the outreach and implementation of the LIFT program, specifically as it pertains to projects that have units dedicated to DHS clients:

- DHS will have an active role in the outreach plan including representation from their regional offices at any meetings being held to discuss the program and garner interest for local developers.
- DHS will provide OHCS with additional information regarding their priority areas so that they can be incorporated into the LIFT program scoring methodology.
- DHS will be working with OHCS to determine the best way to place DHS clients into dedicated units that will ensure that traditional barriers to tenancy are mitigated.
- It is contemplated that DHS will have representation on the scoring committee as it pertains to projects that are dedicating units to their clients.

DISSCUSSION QUESTIONS:

– **Does Council recommend any additional strategies that OHCS could incorporate into the outreach and implementation of the program that would increase the involvement of DHS?**

Identifying a Plan B Scenario

At the February meeting there was expressed concern about what would happen if there were not enough applicants to fully utilize the within LIFT allocation within the timeline and asked that staff identify a possible Plan B scenario. While we hope this is not the case, we do also acknowledge that the per unit investment requires cost cutting measures to work without additional sources of subsidy and that innovation may require significant lead-time for traditional developers who would apply for funding.

When applications are submitted, if not before, OHCS will have a reasonable understanding as to whether a Plan B will need to be executed. At that time a NOFA will be developed in order to commit all LIFT funds within the required timeframe.

Our Plan B concept is to pursue a homeownership structure where:

- There is fee simple land ownership that is not subordinated
- Some portion of the homes would be made available to current or former DHS clients who are well on their way to self-sufficiency and/or reunification

DISCUSSION QUESTIONS:

- **How much detail regarding Plan B execution needs to be developed as part of the overall LIFT framework to allow OHCS to move forward with initial implementation?**

Next Steps

The key to moving forward to complete the LIFT program design and begin drafting all of the documents necessary to go out for a solicitation, staff needs Council to provide the its advice and consent to the areas outlined in this memo. Based on the great input we have received so far from a number of sources, including Council, we are hoping that by the end of the April HSC meeting we will be able to finalize the LIFT Program Design Framework.

To that end, it will be important that the March and April HSC meetings are productive work sessions that allow for the appropriate level of dialogue and information sharing to occur that will provide adequate information for decision making. If Council has additional questions or data requests those will need to be gathered by the end of the March HSC meeting to allow time to provide responses prior to the April meeting.

If this schedule feels too aggressive, it will be important to have a frank discussion around timing so that expectations can be managed.

Understand that after the Council has provided its advice and consent to the open issues and those outlined in SB 1582, staff will continue to keep the Council updated as to the implementation of the LIFT program.

Thank you for your time and consideration of the open issues related to the LIFT program design.

Housing Stability Council
LIFT Program Design Framework DRAFT
January 28, 2016

The Local Innovation and Fast Track (LIFT) Housing Program's objective is to build new affordable housing for low income households, especially families. In 2015, the Oregon Legislature committed $40 million of general obligation Article XI-Q bonds to fund the program, a new source of affordable housing dollars. Using this new flexible funding source will allow Oregon Housing and Community Services and its partners to test innovative strategies and create a modern model of affordable housing development, building upon years of experience, expertise, and success.

Oregon Housing and Community Services (OHCS) has been working with the Housing Stability Council to develop a plan to efficiently use the newly committed funds and maximize the impact it will have in communities across the state. Key to LIFT program design was identifying an effective way to use the Article XI-Q bond funding for housing development; these funds require the state to own or operate any real property development that utilizes this resource which is not usually done with housing development investments historically made by the state. In August 2015, the Housing Stability Council created two sub-committees to develop recommendations. . The following LIFT Program Design Framework has been developed by OHCS using the input and feedback from the assembled Policy and Financial sub-committees to create the most efficient, responsive, and impactful program using the identified Article XI-Q bond funds.

Program Outcome and Output Goals:
Given direction provided through the legislative process, the stakeholder process, and guidance from Governor Brown, OHCS hopes to achieve several outcome and output goals related to the type and number of units produced, as well as the expected outcomes for the households who will live in the units:

1. More affordable rental housing units available in rural communities with population under 25,000.
2. More affordable rental housing units available that serve communities of color.
3. Vulnerable households are stabilized, measured through:
    a. Length of time a household lives in a LIFT housing unit.
    b. Number of moves residents had in the previous 12 months.
    c. Measures specific to families referred through DHS:
        i. Re-abuse / Re-entry rates for the families in the child welfare system.
        ii. To be determined measure related to families on TANF.
4. Innovative and replicable cost containment strategies developed and implemented.
5. Units available as quickly as possible.
6. Increase in affordable housing inventory by a least 1,250 units.

Housing Stability Council
LIFT Program Design Framework DRAFT
January 28, 2016

Program Framework

OHCS will utilize the following framework to determine funding allocation between identified priority populations and funding paths. OHCS will utilize a "soft set-aside" meaning that these percentages will be flexible depending on applications received and dollars requested:

1. LIFT funds allocation methodology
    a. 50% of the funds will be allocated to rural communities, which are limited to either:
        i. Communities with population under 25,000 outside of the Portland Metro Urban Growth Boundary.
    b. 50% of the funds will be allocated to prioritize serving communities of color, which should include:
        i. A project that is sited to prioritize housing opportunity for communities of color by serving to prevent or address displacement.
        ii. A demonstrated partnership with a culturally specific organization through an executed Memorandum of Understanding or an organization with diverse and representative leadership. The developer will also have a marketing and outreach plan designed to publicize to communities of color the availability of these housing opportunities and affirmatively further fair housing.
    c. OHCS will seek to have geographic diversity when awarding projects.
2. LIFT funding paths
    a. OHCS will have a target of 50% of funds for each of two potential focuses. OHCS will allow flexibility depending on applications received. The two focuses are:
        i. Forming partnerships with Oregon Department of Human Services district offices in order to serve program participants, namely those in Child Welfare or Self-Sufficiency (TANF) Programs.
        ii. Innovation and cost containment. This includes the use of alternative construction methodologies, new construction strategies, substantial cost containment in traditional affordable housing development, or other strategies with demonstrated impact.

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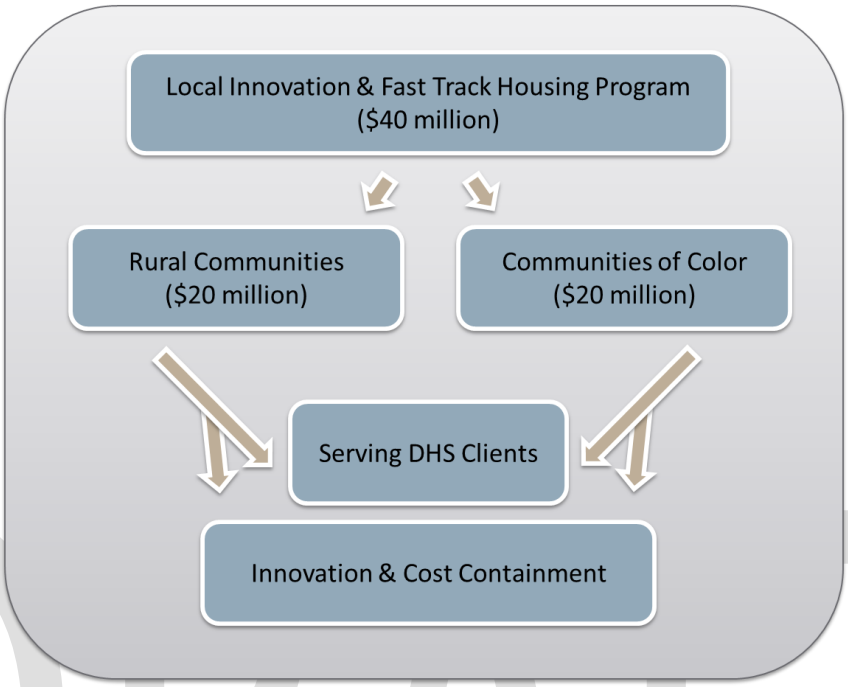

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3. Solicitation for projects will be conducted through a streamlined competitive notice of funding availability.
    a. All applications would need to meet the stated minimum requirements.
    b. A scoring committee made up of OHCS staff, DHS staff, and representatives from communities of color, rural communities, and affordable housing experts would be assembled to review all applications that have met the minimum requirements.
    c. Projects would then be ranked within each allocated pool of funds based on selection criteria within the funding program targets.
    d. The scoring committee would provide a funding recommendation to the OHCS Director.
    e. The OHCS Director would make a final funding recommendation to the Housing Stability Council for approval of projects, including the level of funds for each project.

Minimum Requirements (all paths):

All projects must meet the following minimum requirements to be reviewed. In many criteria, OHCS will have a preference for exceeding these minimum requirements. Additional information about preferences follows this section.

1. Maximum LIFT subsidy per unit: $32,000
    a. OHCS does not intend to contribute other state grant resources. If an applicant wishes to, they may pursue using 4% Low Income Housing Tax Credits if the project can support it and the added costs are reasonable.
2. Minimum affordability period of 20 years from the time the project is placed in service, or the length of time the Article XI Q Bonds are outstanding, whichever is longer.
3. 100% of the newly constructed units financed with Article XI Q Bonds will be available for households earning at or below 60% area median income at the time of initial lease. Tenants may stay in their unit regardless of future income. If a project is structured to serve mixed income residents, including units targeting households with incomes greater than 60% AMI, OHCS will establish a next available unit rule and rules regarding rents for low income tenants who become over-income. This will ensure that the number of affordable units OHCS invested in will remain affordable during the affordability period.
4. Maximum rents allowable for 100% of the units financed with Article XI Q Bonds will be based on 60% HUD Area Median Income.
5. Minimum Construction Standards:
    a. Methods: both traditional and alternative methods of construction are allowable, construction which is innovative or contains costs is encouraged.
    b. Quality: Construction that balances initial cost of building with on-going cost of operation for both the building owner and the tenants (energy standards).
    c. Durability: 30 year building standards.
    d. Other Requirements: Based on rules and regulations of other programs and/or funding sources brought to the project to cover the cost of construction and/or provide on-going operating subsidy.
6. Units to be sited, planned, permitted, constructed, and ready for initial lease-up within 30 months of LIFT funding reservation.

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7. Development team which includes experience with the development and operation of affordable housing, and target tenant population; and knowledge of proposed innovative housing strategies.
8. Underwriting guidelines will be adopted in order to manage the risk of ownership or operation and anticipate minimum requirements of other potential funding sources. Such guidelines will include matters such as loan-to-value, debt coverage, expense ratios, and reserve requirements.
9. Development work compensation through a developer fee will be at a rate less than allowed through federal tax credit projects in the spirit of cost containment.
10. Compliance monitoring throughout the period of affordability will be minimal while managing risk to the State. It will include:
    a. Initial household income verification;
    b. Annual income verification through self-certification. If a project is structured to serve mixed incomes, including units for households earning above 60% AMI;
    c. Risk-based physical inspections 1-3 years based on property condition; and
    d. Other Requirements: Based on rules and regulations of other programs, funding sources brought to the project to cover the cost of construction, and provide on-going operating subsidy.
11. Fulfilling the requirements of the Article XI Q Bonds will occur either through adopting a structure to ensure OHCS functions as either the owner or operator of the property. We have identified two structures which satisfy these requirements:
    a. Operational structure:
        i. The State of Oregon, by and through Oregon Housing and Community Services (OHCS), would be a limited partner or member, or special limited partner, or member of a single asset entity Limited Partnership, or a Limited Liability Corporation.
        ii. OHCS would be provided certain rights over including but not limited to the hiring and firing of the property management firm, setting of rents, initial lease up, and use of reserves.
        iii. In order to ensure OHCS' contribution to the project is structured appropriately to meet the legal and tax definitions of equity, LIFT funds will go into the project as a limited partner equity contribution. This structure will require OHCS to articulate an exit strategy. The exit

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strategy will be utilized at a point in the future, after the initial affordability period, at which time OHCS will step out of the ownership and operations of the project.

b. Ownership (Fee Simple) structure:
   i. The State of Oregon, by and through OHCS, would utilize Article XI Q Bonds to purchase land on which a multifamily affordable project would be built.
   ii. OHCS would enter into a long term ground lease with the sponsor of the multifamily affordable housing project.
   iii. The land lease would not be subordinated to a lender, investor, or other party in the multifamily affordable housing project.

Selection Criteria (all paths):
Projects that meet or exceed the above minimum requirements will be ranked based on clearly laid out selection criteria, which will be further developed in the solicitation. Below are some initial selection criteria:

1. Projects serving the lowest average area median income households at the lowest average area median income rents to the tenants.
2. Lower LIFT subsidy per unit.
3. Preference to projects with the shortest development period, (units to be sited, planned, permitted, constructed, and ready for initial lease-up); less than the minimum threshold of 30 months.
4. Plans to address equity and diversity in the project through the use of Minority, Women and Emerging Small Business (MWESB) contracting, sub-contracting, and professional services.
5. Documented partnerships with one or more of the following: DHS field office, local Public Housing Authority, Community Action Agency, culturally specific service providers, and/or other service providers to provide rental assistance and/or appropriate resident services to the proposed project that meet the needs of the identified target population at little or no cost to the project operations.

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Additional Minimum Requirements: Serving DHS Clients

For projects which chose to serve DHS clients either in the Child Welfare or TANF systems, the projects must also meet the following minimum requirements:

1. Ability to serve DHS tenants earning 0-60% median income. The project must set aside the greater of 10% of the units or 5 units in a project. This can be done through a local commitment from a Public Housing Authority for Housing Choice (HUD Section 8) vouchers, another source of long term rent assistance, or the ability to establish project rents where the DHS client pays up to 30% of their income until they reach 60% AMI.

Additional Selection Criteria: Serving DHS clients

1. Located in communities with high needs. Subcommittees are recommending a formula to determine community need based on the following factors: nonwhite and Hispanic poverty rate, family poverty rate, child abuse and neglect victim rate, extremely low income households with severe housing problems, and areas of high needs as identified by DHS based on caseload.
2. Ability to serve DHS clients earning 0-60% median income in more than the required 10% of units.
3. Local partnerships and support for clients as they move out of DHS programs.
4. Location near community colleges, schools, employment.
5. Flexible resident screening criteria in order to remove barriers for DHS clients.

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Additional Minimum Requirements: Innovation and Cost Containment

For projects that chose to meet the innovation or cost containment requirement, they must meet the following additional minimum requirements:

1. Cost containment target for total development cost, excluding land and additional costs associated with OHCS ownership or operating structure, not to exceed industry costs of market development based on the per square foot cost as reported in RS Means data, based on location and project type.

Additional Selection Criteria: Innovation and Cost Containment

1. Located in communities with high needs. Subcommittees are recommending a formula to determine community need based on the following factors: nonwhite and Hispanic poverty rate, family poverty rate, child abuse and neglect victim rate, and extremely low income households with severe housing problems.

2. Lower total development cost per square foot, excluding land and costs associated with OHCS ownership or operating structure in comparison to the per square foot cost as reported in RS Means data, based on location and project type.
3. Demonstration of innovative building design or innovative alternative construction methodology, a development strategy to lower costs, and/or to provide the housing resource in an expedited timeline.
4. Demonstrated efficiency and replicability of building development strategy.
5. Ability to serve lower incomes (30% of AMI up to 50% of AMI) and provide such units to DHS clients at initial lease-up.

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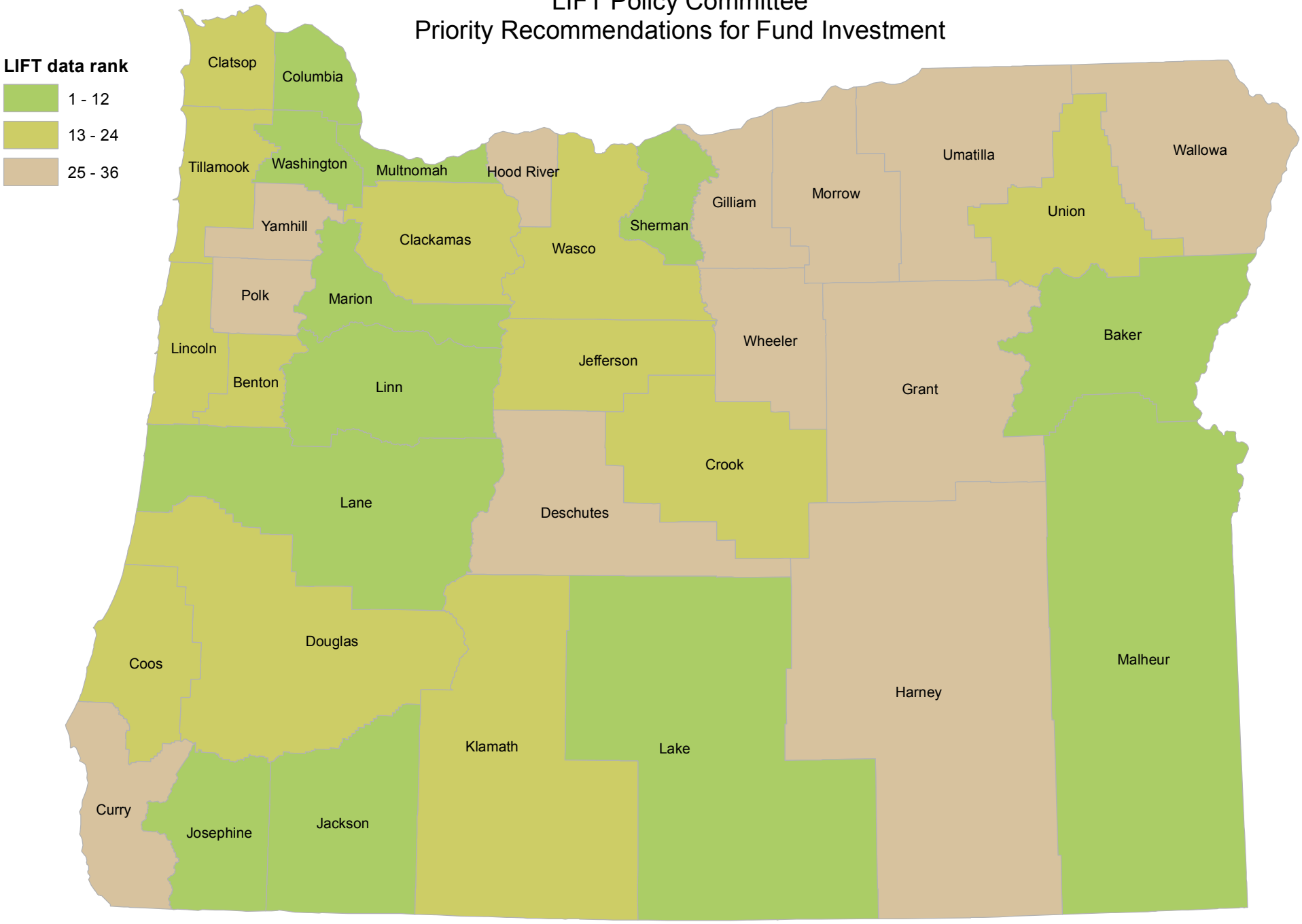
LIFT Policy Committee
Priority Recommendations for Fund Investment



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Date: March 4, 2016

To: Housing Stability Council Members
Margaret S. Van Vliet Director

From: Julie V. Cody, Assistant Director Housing Finance

Re: 2016, 2017 and 2018 Estimated Multifamily Gap Resources

At the March Housing Stability Council meeting, I would like to provide you with an overview of the estimated multifamily gap resources that will be available in 2016, 2017 and 2018. This overview will give you context as to the level of gap funding resources that OHCS collects or is granted on an annual basis, in an effort to solicit your input in prioritizing activities and investments over the next few years.

Based on your feedback in March, staff will be back in front of you in April to provide you with a recommendation regarding the allocation of gap resources associated with the Multifamily Finance Section in 2016, 2017 and 2018. This forward look is being done to provide more predictability and transparency to our stakeholders, as well as housing advocates, by relaying the timeline, activities and amounts that we anticipate offering.

Background

As you are well aware, there are various programs and funding streams that OHCS uses to fund multifamily affordable housing projects across the state. Some of the funding sources, like HOME, we are only able to spend in some parts of the state. Other sources, like 4% and 9% LIHTC, are available to be invested statewide. Some sources work better for large projects; others best *pencil* in smaller projects. No matter the source, or approach to funding, most projects have a financial gap. That gap needs to be filled with other flexible funding sources – from OHCS or elsewhere. Without these gap funding sources contributed by OHCS, many projects would not become a reality.

In 2015 we made the transition to forward allocate all gap funding resources, including the Document Recording Fee. As a result of this transition, we were able to fund a few special NOFAs in 2015 using both accrued and anticipated resources; including an increase in gap funds for the annual **LIHTC and HOME NOFAs**; **Gap Financing NOFA** for small projects, construction defects, and group homes serving special needs populations; **Preservation NOFA** for projects with expiring federal rental assistance contracts; **Veteran's Housing NOFA**; and

Manufactured Home Park Preservation NOFA to preserve manufactured home spaces and affordability.

Gap Funding by Activity	2015
Development	$ 30,966,370
Preservation	$ 9,095,668
Veterans	$ 3,771,471
Capacity	$ 50,000
Funding Available	**$ 43,883,509**

Gap Funding by NOFA	2015	Projects	Units
9% LIHTC	$ 4,385,338	11	***548*** •312 New Construction •47 Rehabilitation •189 Preservation
HOME	$ 525,000	2	***68*** •20 New Construction •48 Preservation
Gap Financing	$ 20,056,032	13	***393*** •85 New Construction •308 Rehabilitation
Preservation (Federal Rent Subsidy)	$ 9,095,668	2	***319*** •278 with Federal Subsidy
Veterans	$ 3,771,471	2	***28*** •All New Construction
Manufactured Home Park Preservation	$ 6,000,000	3	***193*** •Home Spaces Preserved
Capacity Building	$ 50,000		
Total Funds Awarded	**$ 43,883,509**	**33**	**1549** •445 New Construction •355 Rehabilitation •556 Preservation •193 home spaces

Current Consideration

In 2016 we begin to see a tightening of the gap funding resources as we have offered and awarded much of the revenue that was created through the transition of allocating methodology. Staff is seeking your input in prioritizing activities and investments. We have heard many different messages, and want to take this opportunity for the Housing Stability Council to guide our strategic direction. We understand that having gap resources is critical for the HOME and

LIHTC NOFA applicants; it could also be a helpful tool for expanding the use of the 4% LIHTC program, though at the same time funding for "little p" preservation and manufactured home parks is in demand, while others might see a priority in funding new innovations.

Gap Funding by Activity	2016	2017	2018
Development	$ 16,307,871	$ 11,234,787	$ 11,234,787
Preservation	$ 2,200,000	$	$
Veterans	$ 3,136,108	$ 2,536,276	$ 2,536,276
Capacity	$ 108,923	$ 544,381	$ 544,381
Funding Available	**$ 21,752,902**	**$ 14,315,444**	**$ 14,315,444**

Potential Priorities
Filling gaps in 9% LIHTC projects
Filling gaps in 4% LIHTC projects
Filling gaps in HOME projects
Issuing a small project Gap Financing NOFA
Issuing a Preservation (Federal Rent Subsidy) NOFA
Issuing a Veterans Housing NOFA
Issuing a Manufactured Home Park Preservation NOFA
Issuing a Capacity Building NOFA
Other Ideas???

As you can see, OHCS will have about half of the resources available in 2016 that were available in 2015; and in 2017 forward the anticipated funds available are based on annual receipts of HDGP and GHAP funding. For additional details please see the attached worksheet that provides information on funding sources and basis for estimates. As annual available funding becomes tighter priority choices will become harder to make, based on the great need for new affordable housing units as well as the preservation of existing units with and without federal rent subsidy.

Staff will continue to update these numbers on an annual basis as we watch the trends of Document Recording Fee and Public Purpose charge receipts. Also, if OHCS is provided with additional funding, such as Lottery-backed bonds intended to be utilized for Preservation the tables will be updated and shared.

Please be prepared to ask questions, provide your input on priorities for funding allocations and engage in a robust discussion related to multifamily gap funding resources. If you have questions prior to the March meeting feel free to contact me in advance.

OHCS Multifamily Funds Available for Gap Financing

Estimated Annual Revenue (net of admin)	2016	2017	2018	Notes
Lottery-backed Bonds - Preservation	$ 2,200,000	$ -	$ -	Lottery-backed bonds from 2015 Session; Sale anticipated Spring 2017; net of bond costs
HDGP - Development	$ 4,502,326	$ 4,502,326	$ 4,502,326	Based on 2013-2015 PPC/CORPUS earnings + anticipated other revenues - admin expenses
GHAP - Development	$ 6,732,461	$ 6,732,461	$ 6,732,461	Based on 2015 DRF Receipts + anticipated other revenues - admin expenses
GHAP - Veterans	$ 2,536,276	$ 2,536,276	$ 2,536,276	Based on 2015 DRF Receipts - admin expenses
GHAP - Capacity Building	$ 544,381	$ 544,381	$ 544,381	Based on 2015 DRF Receipts - admin expenses
Total	**$ 16,515,444**	**$ 14,315,444**	**$ 14,315,444**	

Funds Available by Activity	Remaining 2015	Estimated 2016	Estimated 2017	Estimated 2018	Notes
Development	$ 5,073,084	$ 16,307,871	$ 11,234,787	$ 11,234,787	HDGP and GHAP
Preservation	0	$ 2,200,000	$ -	$ -	Lottery-backed bonds
Veterans	$ 599,832	$ 3,136,108	$ 2,536,276	$ 2,536,276	GHAP
Capacity Building	$ (435,458)	$ 108,923	$ 544,381	$ 544,381	GHAP
Total	**$ 5,237,458**	**$ 21,752,902**	**$ 14,315,444**	**$ 14,315,444**	