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LOCAL INNOVATION AND FAST TRACK (LIFT) MANUAL

For Homeownership Development

Summary

This Manual is intended for entities interested in Oregon Housing and Community Services' LIFT Homeownership program.

Oregon Housing and Community Services

Homeownership Development

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I. Overview

The Local Innovation and Fast Track (LIFT) program is administered by Oregon Housing and Community Services (OHCS) and funded through the allocation of Article XI-Q General Obligation bond proceeds. LIFT was established in statute in 2015 to expand the supply of affordable housing in Oregon for households with low-incomes across the state and in particular in historically underserved communities, including communities of color and rural communities. LIFT supports multifamily rental and homeownership projects.

This manual describes the requirements and guidelines for LIFT Homeownership. It consists of six sections that outline general program information and requirements, the process and requirements associated with applying for LIFT Homeownership funds, underwriting and loan closing, the construction period, project completion, and compliance throughout the duration of the LIFT loan.

A. Purpose of the Manual

The purpose of this Manual is to outline many of the requirements of LIFT Homeownership. OHCS strongly recommends that potential LIFT applicants and their Development Team read the entirety of the Manual to understand all the requirements of any Project prior to initiating an application for funding. Additional resources may be found on the OHCS website.

B. Approval and Effective Date of the Manual

This Manual shall be effective upon its approval and shall remain in effect indefinitely or until modified or terminated. Upon adoption of the Manual, requirements will apply to all Projects with applications dated January 1, 2025, or later.

C. Administration and Interpretation of the Manual

OHCS is authorized to interpret and administer the Manual. In addition, OHCS has the authority to interpret and administer any specific Program regulation, policy, related administrative rule, or other Project requirement subject to the limitations of law.

OHCS regularly sends out information including but not limited to funding offering information, regulatory changes, trainings, etc., to interested parties in the form of email communications referenced as Homeownership Division Technical Advisories.

D. Program Contact

LIFT for Homeownership Development is managed by the Homeownership Development division of Oregon Housing and Community Services. Any questions or comments regarding this Program or Manual should be directed to the Senior Homeownership Development Program Analyst

You may contact OHCS via the following methods:

By email: HO.Development@hcs.oregon.gov

By phone: 503-986-2000

By Mail: Oregon Housing & Community Services
Attn: Homeownership Development
725 Summer St NE, Suite B | Salem, OR 97301

E. Statutes and Rules Relevant to LIFT

Many of the expectations and requirements for the LIFT Homeownership Program come directly from Oregon Revised Statutes (ORSs) and Oregon Administrative Rules (OARs). The below statutes and rules pertain to OHCS, the LIFT Program, and Article XI-Q Construction Bonds.

- **ORS 456** –Housing Statutes including Housing and Community Services Department definitions, administration, bonding, etc.
- **ORS 458.480-458.490** LIFT statute
- **OAR 813** – Statutory Framework and Rules for Housing and Community Services Programs
- **OAR 813.135** – LIFT Program Rules
- **ORS 286A.816 – 286A.826 and OAR 122.075.0100 through 122.075.160** – Constitutional and Statutory Framework of Article XI-Q bonds

F. Definition of Terms

Affordability Period - Homes for purchase funded by LIFT must maintain affordability to households earning 80% of the area median income or less for a minimum period of 20 years beyond the date of the Project's first home sale or the Project completion date, whichever is sooner. For LIFT loans to be satisfied without repayment, affordability must be maintained for an additional 20 years beyond the initial affordability period.

Applicable Notice of Funding Availability (NOFA) – The Notice of Funding Availability that applies to the year the application is submitted.

Applicant – Any developer or other entity related to a Project applying for funding from OHCS through the NOFA process or otherwise on behalf of that Project.

Application - This means all the required Exhibits and Forms, if any, submitted by an Applicant for a Project.

Area Median Income (AMI) - Refers to the applicable published program income limits. HUD establishes the median income for households in metropolitan and non-metropolitan areas for the current year and adjusts that amount for different household sizes.

Borrower – This is the entity to which LIFT funds are issued upon satisfaction of all associated conditions of the reservation. It is also the entity responsible for assuring that all conditions of the LIFT loan are fulfilled.

Contingency - A set aside of funds to be used for construction or development but may not be certain to occur, and if used must not exceed OHCS combined maximums with any Application submission.

Developer - An organization with a controlling interest in the proposed or funded Project and that is or will be compensated for that controlling interest.

Development Team - This means the Applicant/Borrower, the developer, the project management consultant, the general contractor, and all persons or organizations materially involved in the acquisition, construction, rehabilitation, development, or improvement of the Project.

Eligible Covenant Holder – Defined in ORS 456.270(3) and a requirement to apply for LIFT Homeownership funds.

Identity of Interest - Identity of Interest means a financial, familial, or business relationship that permits less than arm's length transactions. For example: Related Entities/Persons; 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.

Loan Closing - This is the stage in the funding process when applicable conditions of the Reservation Letter are satisfied and the Project prepares to commence construction.

Low-Income - Households of one or more individuals whose combined incomes are at or below 80 percent of the area median income for homeownership projects.

Manual - The LIFT Homeownership Manual (this document).

Notice of Funding Availability (NOFA) – The Notice of Funding Availability is a uniform set of requirements to apply for funding from OHCS through its LIFT Homeownership Program.

Homeownership Division (HOD) - The section of Oregon Housing and Community Services (OHCS) that is responsible for the funding and administration of the LIFT Homeownership and other homeownership related programs.

Operate - Having sufficient direct or indirect control of Qualified Property that reasonably enables the Housing and Community Services Department, in its determination, to ensure the Qualified Property's use for the purpose of providing affordable housing under the LIFT Housing Program.

Operating Agreement - A legally binding document between OHCS and the proposed project owner whereby the proposed project owner agrees, among other things, to provide and maintain the Project and to guarantee its compliance with the requirements of OHCS by executing and recording the Operating Agreement and Declaration of Land Use Restrictive Covenants on the project in return for an allocation of proceeds from Article XI-Q bonds.

Oregon Administrative Rules (OARs) - The Oregon Administrative Rules are the principles by which OHCS administers affordable housing Programs that are approved from time to time through the State administrative rule process.

Oregon Revised Statutes (ORSs) – The Oregon Revised Statutes contain the laws enacted by the legislature and governor or passed by a vote of the people through the initiative process.

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 Project owned by a closely held corporation, the shareholders.

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 Requirements - All terms, conditions, covenants, or other obligations of an 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 homeownership development for which funding, in whole or in part, is sought from or obtained from OHCS. A Project may include one or more buildings and any associated common area and may be located on scattered sites.

Qualified Homeowner - A Homeowner whose income, at the time of the home purchase date or no more than one year prior to that date, is at or below 80% area median income, adjusted by family size, as determined by OHCS based upon information from the U.S. Department of Housing and Urban Development ("HUD").

Qualified property - Real or personal property, including infrastructure and indebtedness related to the real or personal property.

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%) ownership interest; (5) two business entities, either corporations or partnerships, where a party has more than a fifty percent (50%) interest in each; (6) two corporations that are members of the same controlled group; and (7) two parties engaged in trades or businesses under common control.

Reservation Letter – A conditional agreement with an identified Borrower that sets forth the award amount and conditions of acceptance.

Standards Based Evaluation Criteria - These are the standards, benchmarks, and criteria by which OHCS will evaluate projects in the NOFA process to determine if they meet the requirements for funding.

G. Public Records

Materials and information submitted to OHCS are subject to public disclosure unless otherwise exempt from disclosure under ORS 192.355(24) or any other provision of the Oregon Public Records Law. OHCS provides no assurance that any materials provided to OHCS can be protected from public release.

H. Waivers

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

I. Remedies

OHCS may exercise any remedy provided in the Manual, in any Program, or in any Project Requirement (including, but not limited to, any associated legal document), or any remedy otherwise available under law with respect to any violation of applicable Project or Application requirements. OHCS remedies may include, but are not limited to, rejection of an application, denial of an application, or termination of the processing of an application.

J. Charges

LIFT Applicants and Borrowers will be responsible for payment of a limited number of charges during the cycle of the LIFT application, loan, and compliance monitoring period. Details of charges and their amounts will be explained in the most recent NOFA but in general includes the following:

- Application charge due at submission of application
- Recipient charge due after signing of the Reservation Letter
- Reservation charge due at closing of escrow
- Document preparation charge due at closing of escrow
- Pass-through DOJ charge due at closing of escrow
- Annual compliance monitoring charge due each year after the first home in each Project has sold or 36-months after the Reservation Letter date, whichever is sooner.

Invoices for charges will be due and payable within 30 days of the invoice date. Invoices that are not paid within 90 days of the due date may be referred to Oregon Department of Revenue for collections. OHCS and DOJ charges are not eligible uses of LIFT funds and must be paid using another available funding source.

K. Fair Housing & Civil Rights Compliance

OHCS requires all Applicants and Borrowers of OHCS resources to:

- Comply with all applicable state and federal nondiscrimination laws.
- Act affirmatively (including the use of appropriate outreach) to ensure those who may be or are at risk of being underserved, are provided with OHCS resources and appropriate accessibility.
- Comply with Equal Opportunity Employment standards in hiring and retaining personnel.
- Satisfy any population-specific or service standards as required in Program Requirements or as set forth in Project agreements.

- Display of the Fair Housing name and/or logo is required when homes are marketed or promoted.

L. Acknowledgement of Oregon Housing and Community Services.

Oregon Housing and Community Services shall be listed by name on all materials including all media coverage where the Project contributors are listed or named.

II. General LIFT Requirements

Applicants must satisfy the general requirements listed below in order to obtain a conditional commitment of resources and for the subsequent resource commitment and disbursement of OHCS resources.

A. Article XI-Q General Obligation Bond Requirements

The LIFT Homeownership Program is funded by the proceeds of general obligation bonds issued pursuant to Article XI-Q of the Oregon Constitution. This funding source requires OHCS to have operational or ownership interest in the Project. OHCS establishes rules and practices that meet the associated constitutional requirements while creating as few challenges as possible for the Project or Development Team. This funding source also defines eligible expenses as those related directly to the capital asset (e.g. construction costs, architectural costs, and labor costs for staff dedicated to the project).

B. Program Goals

The Local Innovation and Fast Track (LIFT) program was established in statute to expand the supply of affordable housing in Oregon for households with low-incomes through the allocation of proceeds from Article XI-Q General Obligation bonds. The LIFT Homeownership program aims to place affordable homes in operation as quickly as possible in historically underserved communities, including in communities of color and rural communities.

1. Engagement of Communities of Color

To meet the legislative intent of LIFT and to further OHCS' policy priorities around racial equity, all projects must have a track record and/or plan for engaging communities of color. Any approach must include intentional and meaningful engagement including but not limited to planning for the development, marketing the homes, and supporting households to buy and maintain their home.

Engagement of communities of color can be achieved in several ways and should be relevant to the community where the Project is located and the focus population anticipated to be served. Outreach strategies might include such things as:

- An ongoing service partnership with a culturally specific or culturally responsive organization
- Project building design is influenced and informed by the community or communities the Project is serving
- A Project explicitly designed and located to address displacement of communities of color
- Agreements with area service providers to engage in culturally appropriate services for residents

Additionally, each Project is required to submit a relevant marketing and outreach plan designed to publicize the availability of new housing opportunities created by the Project. The plan should be accessible to communities of color in the Applicant's service area, address any barriers that communities of color might encounter in applying for and accessing housing, and identify ways to affirmatively further fair housing[1].

2. Service to Rural Communities

LIFT prioritizes rural communities as areas historically underserved in housing production. As such, consideration to rural communities and rural developments will be provided in each NOFA. A definition of what is considered a rural area will be provided in the Applicable NOFA.

C. Eligible Partners

LIFT Borrowers must be Eligible Covenant holders as defined in ORS 456.270(3). This restriction also applies to any entity that will have ownership interest in the land during the term of the LIFT loan and affordability period.

D. Eligible Activities

LIFT funding can be used to increase the number of net affordable homes in Oregon. Eligible activities are land acquisition, new construction including manufactured homes permanently affixed to a foundation, or conversion of existing non-residential structures to affordable housing.

1. Affordability Restrictions

Homes funded by LIFT must maintain affordability to households earning 80% of the area median income or less. The affordability restrictions begin with first home sale and extend for a minimum period of 20 years beyond the Project completion date. The LIFT loan will be due and payable in full on the completion date, i.e., the maturity date of the loan and the end of the 20-year term of affordability. The LIFT Borrower may elect to extend the Affordability Period for another 20 years, or by a combination of repayment and affordability as acceptable to OHCS, at which point the LIFT loan will be satisfied.

[1] For further information see Title VIII of the Civil Rights Act of 1968, 42 U.S.C. 3608 and Executive Order 12892.

Larger scale mixed-income projects may still be eligible for the LIFT program, but the LIFT funds can only be used for costs associated with the homes reserved solely for households at or below 80% AMI.

2. Shared Equity Models

Projects must use a shared equity model in which an Eligible Covenant Holder maintains ownership of the land and qualified homebuyers purchase the individual homes. Examples of common shared equity models include:

- Community Land Trusts (CLTs)
- Cottage Clusters owned/operated by an Eligible Covenant Holder
- Leasehold Condos owned/operated by an Eligible Covenant Holder
- Manufactured Homes Parks owned/operated by an Eligible Covenant Holder
- Traditional and Limited Equity Cooperatives

E. Subsidy Amount

LIFT Homeownership is intended to provide gap funding for the construction of for-sale homes and offset the difference between the cost of construction and the home sales price. The maximum amount of subsidy that a LIFT Homeownership project can request will be calculated using the lesser of the following:

- The amount of funding necessary to ensure the project is financially viable. OHCS will verify this number considering the following items:
  - A detailed proforma and thorough evidence of costs
  - At least one other source of funds is identified and committed in addition to LIFT and sales proceeds
  - Net profits including developer fee do not exceed 10%
  - The LIFT award plus project debt do not exceed the anticipated value of the completed project
- The maximum per home subsidy identified in the Applicable NOFA.

F. Funding Set-Asides

OHCS will employ soft set-asides for available LIFT funds to meet its goals for each funding year. The set-asides ensure that there is opportunity for targeted or underserved Applicants or Projects to be considered for funding. Set-asides will be reserved for a given time frame before being released to the broader applicant pool. Details of set-aside categories and timelines will be identified in the Applicable NOFA.

G. LIFT Loan Terms

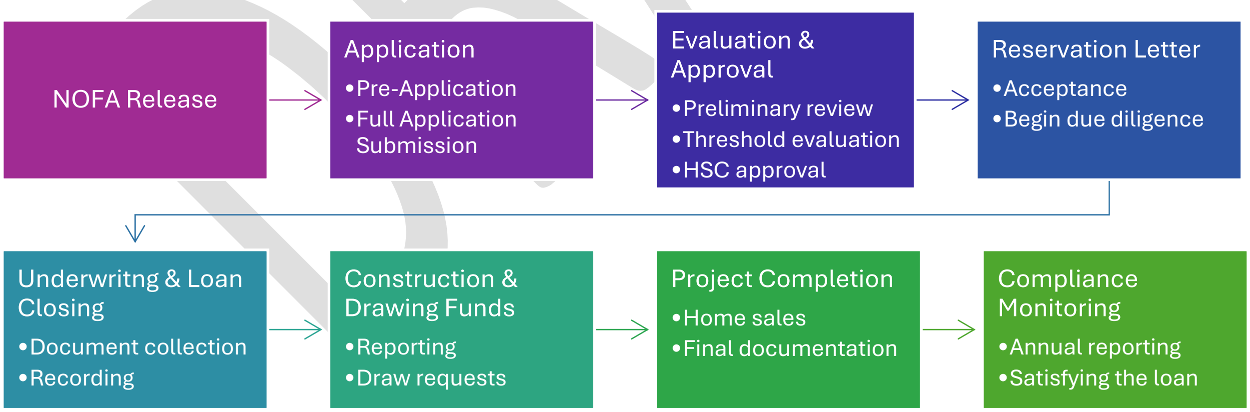
The LIFT loan must be secured by an Operating Agreement and a first-lien deed of trust acceptable to OHCS and recorded against the fee interest in the Property. OHCS may share a first lien security interest with other lenders, subject to the execution of OHCS' Intercreditor Agreement and other documents necessary to establish the relative priority and rights of the parties.

LIFT funds are loaned at 0% interest with deferred payments throughout the Affordability Period. Loans are due and payable upon completion of the initial 20-year affordability period. In lieu of payment, LIFT loans can be satisfied by extending the Affordability Period for an amount of time at least equal to the original Affordability Period (20 years) or by a combination of repayment and extended affordability as acceptable to OHCS[2].

III. Application Requirements

A. Application Process

When funding is available, OHCS will release a Notice of Funding Availability (NOFA) to the public, where upon Applications will be accepted through a non-competitive process. A timeline and evaluation criteria will be established in the Applicable NOFA. Successful applications are brought to OHCS' Housing Stability Council (HSC) and upon their approval of the Project, the Applicant receives a Reservation Letter from OHCS stating the award amount and conditions of acceptance. An acceptance of the Reservation Letter initiates the due diligence period for the LIFT loan closing, construction, and drawing funds, and ultimately to project completion, homes sales, and annual compliance monitoring.



[2] See OAR 813-135-0040.

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B. Evaluation of Applications

Applicants are evaluated based on standards and criteria as put forward in the application. Funds will be awarded on a first-come, first-served basis to applications meeting the following criteria:

- A preliminary review to determine mandatory eligibility and ensure completion of the application.
- A threshold review to ensure the application meets the Standards-Based Evaluation Criteria required to support the Project.

1. Applicant Requirements

LIFT applicants must demonstrate, or partner with a developer who can demonstrate, sufficient experience and capacity to successfully complete the proposed Project on time and within budget. Additionally, Applicants must demonstrate that they have experience and/or understanding of administrating a community land trust or other applicable shared equity model or have partnered with an organization that has this type of experience.

a) Ownership Integrity

To qualify for funding, neither Applicant nor any member or principal within the Project ownership or management groups may meet any of the following criteria:

- Is currently under investigation for, indicted for or have been convicted of fraud or moral turpitude within the previous ten years;
- Is or has been involved in a bankruptcy proceeding within the previous five years;
- Has been debarred or otherwise sanctioned by Agency or any other federal program, or
- Has outstanding charges owed to OHCS from previous applications or Projects.

Applicants must attest to compliance with this requirement through the Prequalification process to be eligible to apply for LIFT funding.

b) Identity of Interest

Applicants must disclose and describe to OHCS all Identities of Interest that exist with respect to the Applicant and the Project. Such disclosures shall be made when the Application is submitted or at any point in the process where an Identity of Interest may be created after the Application has been submitted.

Identities of Interest that are not disclosed may result in disqualification, a cancellation of funding, a breach of contract, or other measures as determined by OHCS.

2. Project Requirements

Applicants must demonstrate that the Project is ready to proceed, feasible for the intended use, and beneficial to the greater community or its homebuyers. At minimum, applicants will be asked to provide details or evidence of the following:

- The Applicant has obtained and will maintain site control in the form of an undivided fee simple interest, an option to purchase dating beyond the anticipated LIFT closing timeline, or other documentation suitable to prove site control at OHCS' discretion.
- The Applicant has completed site feasibility, and the proposed project is reasonable for the proposed site. Detailed information will be requested to ensure that the site is suitable for the intended homebuyers, for the proposed development, and able to comply with LIFT and Article XI-Q bond timelines.
- The Project has considered equity and efforts have been made to ensure homes will be available to populations underserved in homeownership. To reach historically underserved communities, all Applicants must include detailed information on how the Project will engage communities of color.
- The Project is innovatively and intentionally designed to benefit the homebuyers and/or greater community. Specific Project goals will be detailed in the Applicable NOFA.

3. Financial Requirements

Applicants must demonstrate that applicant entities are financially sound, and the Project is financially viable. Applicants will be required to submit organization financial statements showing cash position, debts and assets, and track record of financial health. Applicants who have been awarded a substantial amount of OHCS resources may also be required to prove liquid assets equal to a percentage of the LIFT loan, as determined in the Applicable NOFA.

Applicants are required to submit a detailed proforma including all financing sources, anticipated sale prices, and evidence of project costs. Evidence of at least one other source of funding is required to cover non-LIFT eligible costs. Additionally, the proforma must show sufficient funding in total and year-to-year during the construction period. The Application must show consideration of increasing costs, including allowable construction contingencies and escalation planning. Maximum escalation and contingency amounts will be detailed in the Applicable NOFA.

a) Developer/Borrower Maximum Profit

Developer/Borrower profit may be no more than 10% of construction costs, calculated as: (net profit including developer fees) divided by (total project cost minus acquisition cost, developer fees, and general contractor fees). Developer profit may not increase above the amount stated in the Application. This will be verified upon completion of the Project via a final proforma of actual Project costs.

b) General Contractor Maximum Fees

When the general contractor is a Principal, Related Entity/Person, or otherwise has an Identity of Interest with the Applicant or Project owner, the general contractor's maximum combined profit, general conditions and overhead is limited to 10% of total rehabilitation/construction costs plus site work costs. All other contractors will be limited to 14% of total rehabilitation/construction costs plus site work costs.

4. Documentation Requirements

OHCS will require the submission of documentation that supports its assessment of the applicant, Project, financial requirements, and overall project risk. Specific document requirements will be listed in the Applicable NOFA and will include, but are not limited to, documents such as Articles of Incorporation showing the legality of the entity, recent financial statements, Development Team biographies, commitment letters from lenders and other financing sources, memos of understanding with mortgage lenders and other relevant stakeholders. etc.

At any point during the life of the LIFT project, OHCS reserves the right to request additional documentation from Applicants or Borrowers to ensure project feasibility and compliance with LIFT requirements.

C. Misrepresentation and Fraud

OHCS may disqualify an Applicant or Project, or cancel funding, if the Applicant, a Co-Applicant, a Principal, or any representative of these entities makes a material misstatement, omission, or misrepresentation to OHCS, is currently under investigation by a public body for, has a pending claim, indictment, suit, action, or other proceeding against them for, or has been convicted of or been determined by an administrative or judicial (whether criminal or civil) order or judgment to have committed fraud, misrepresentation, theft, embezzlement, or any other act of moral turpitude (including, but not limited to any felony or malicious behavior) within the previous ten years. OHCS, in its sole discretion, may also exercise any and all other remedies available, or otherwise available by law.

D. Application Denial

In general, Applicants may resubmit updated versions of projects that have been denied for preliminary or threshold review issues or for lack of available funds. OHCS reserves the right to deny any application outright if the project is not aligned with program goals or is deemed a risk to the agency.

IV. Underwriting & Loan Closing

To secure the funding reservation, conditions listed in this section must be completed prior to executing the loan documents between the Borrower and OHCS. Conditions will be detailed in an attachment to the Reservation Letter.

A. Requirements prior to the LIFT Loan Close

Prior to the LIFT Loan Closing, OHCS requires that the Borrower submit documents that show that the Project meets all requirements to close on the LIFT loan and begin development. This documentation includes but is not limited to:

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- Evidence of property ownership, clear title, and status of the Borrower and Development Team through documents such as property deeds, Secretary of State business registry, and title insurance.
- Evidence of compliance with other State and Local agencies such as appropriate zoning, determination on prevailing wage requirements, and fair housing review.
- Evidence of environmental assurance including Department of State Lands wetlands review. The Borrower must provide a Phase I Environmental Study report that is dated within 12 months of the Applicable NOFA application submission date. If the study identifies an REC (Recognized Environmental Condition), OHCS may require follow up studies, a mitigation plan, revised proforma, etc.
- Evidence of appropriate insurance as required in the Applicable NOFA. The applicable policy(s) must be active on or before the date of executing the loan documents and remain active throughout the affordability period.

Borrowers are expected to meet closing conditions within six months of the Reservation Letter date. Projects that do not meet the six-month deadline may have their funding reservation rescinded or may be required to complete and resubmit new documents including, but not limited to Phase 1 Environmental Study, appraisal, and other documents determined by OHCS' sole discretion to require updating.

B. Evidence of Continued Financial Viability

1. Appraisal

All Projects must be substantiated by an as-built appraisal with the following considerations:

- Value should be determined considering the land and all future site work, structures, and other capital improvements.
- Calculations should consider any existing restrictions attached to the land or the use of the land (not including LIFT or other future restrictions).
- The appraisal must name OHCS as an intended user of the appraisal and grant permission to OHCS to discuss the report with its preparer.

Appraisals must show a value equal or greater than 100% of the debt on the project including the LIFT loan, construction financing, or any other financing sources that may take a security interest in the Property.

2. Other Financial Details

LIFT Borrowers must submit additional documents as provided in the Reservation Letter to demonstrate continued financial solvency and viability of the Project prior to closing. A final proforma must be provided with committed financing sources and updated expenses showing continued compliance with all requirements and restrictions listed in this Manual and the Applicable NOFA.

This document is a draft published for the sole purpose of community feedback. This document is not to be used for administration of LIFT Homeownership.

C. Loan Closing and Recording Documents

OHCS legal documents must be executed through a title company representative. Borrowers must open escrow with an appropriate title company and provide OHCS the necessary details to complete the loan closing. The LIFT loan closing must be completed simultaneously with any construction loans or similar funding sources.

If Borrowers are using LIFT funds to purchase the land, OHCS may include a disbursement of LIFT funds via escrow for this purpose. If the property includes any other debts related to development of the Project, such as preconstruction loans or programs such as the Land Acquisition Program, those loans must be paid during escrow or elect to subordinate their loan to LIFT.

V. Construction Requirements and Drawing Funds

A. Construction Standards

Developments must follow all applicable state and local requirements. Appropriate building permits must be obtained from all required authorities having jurisdiction over the subject property prior to commencing construction, and certificates of occupancy for all homes of the project must be obtained at completion. Project partners and/or stakeholders other than OHCS may have project requirements in addition to those identified by OHCS and in the permitting process. It is the responsibility of the Borrower and the Project's development team to identify and satisfy all Project requirements expected from all Project stakeholders.

Except in specific scenarios subject to OHCS approval, homes must meet or exceed minimum floor area requirements and include proportional and appropriate sizes for each room and living space.

Home Type	Minimum Floor Area (Sq. Ft.)
Studio	350
1 Bedroom	600
2 Bedroom	800
3 Bedroom	1,000
4 Bedroom	1,250

LIFT construction requirements are intended to encourage innovation and allow for all types of new construction. Both traditional and alternative methods of new construction are allowable; construction that is innovative in containing costs or otherwise serving low-income populations is encouraged. Construction that balances the initial cost of building with on-going costs of operation for the building owner (e.g. energy standards, low-maintenance lawns, and other factors) is recommended.

All homes must be built to a minimum of 30-year building standards and adhere to guidance in OHCS' Core-Development Manual (CDM), which is available on the OHCS website. Evidence that the Project's General Contractor is currently licensed with the State of Oregon Contractor's Certification Board (CCB) in good standing is required.

B. Development Timeline

OHCS requires that Projects be planned and fully financed (with the exception of OHCS funding) at the time of application and ready to proceed upon meeting all requirements in the Project Reservation Letter.

Homes must be ready for initial sale within 36 months of the date of the Reservation Letter. At application, the Project's construction schedule must support the 36-month completion requirement. To support this schedule, OHCS expects that the LIFT loan closes within six months of the Reservation Letter date. Vertical construction should begin within 12 months of the Reservation letter date, and Certificates of Occupancy are expected within 36-months of the Reservation Letter date with an additional six-month grace period to complete the sale of all the LIFT-funded homes in the Project.

C. Recorded Ground Lease.

LIFT Borrowers are required to submit a copy of the recorded Master Lease or other documents relevant to the Project's shared equity model. The Master Lease must be recorded in the county where the Project is located prior to selling the first home.

D. Reporting Requirements

1. Quarterly Progress Reporting

Borrowers must complete and submit progress reports detailing updates and overall status of the Project. Reporting commences once the Reservation Letter is executed and continues until all homes have sold and all completion conditions have been met.

2. Ongoing Reporting and Documentation

Borrowers will be expected to provide documentation showing the continued success of the Project and solvency of the Project and organization. Applicable documents may include but are not limited to annual tax returns, certificates of insurance, certificates of occupancy, household income verification, and certificates of ongoing compliance.

3. Notification Requirements for Problems or Changes

LIFT Borrowers must notify OHCS of changes to the Project that may affect the agreed upon terms and conditions between Borrower and OHCS Program Requirements. This includes, but is not limited to, changes in the Project's development schedule, number of LIFT-funded homes in Project, design characteristics (e.g. bedroom/bath count, square feet, construction type), staff, funding, substantial changes in Project costs, Master Lease terms, etc. OHCS reserves the right to approve or reject proposed changes, and changes made without notification and consent of OHCS may result in revocation of OHCS funds. OHCS will only consider Project changes when it can be demonstrated that they are necessary for the Project to move forward.

Any changes to the property's legal description after the loan closing will require an amendment to the LIFT regulatory documents and recording thereof. Changes in the property's legal description can cause delays on the sale of the newly built homes if not addressed promptly.

Borrowers may notify OHCS of any problems, delays, or changes through quarterly reports or via direct notice to relevant HOD staff.

4. MWESB/SDVBE Engagement.

Minority, Women-Owned, Emerging Small Business, and Service-Disabled Veteran Business Enterprises (MWESB/SDVBE) are those registered with the State of Oregon as such through the COBID process, or self-identifying as such, certified through the OHCS-approved forms and processes. All Applicants must identify approaches and/or targets for contracting with MWESB/SDVBE-certified or -eligible contractors/subcontractors in the construction and operation of the proposed Project.

All projects that receive LIFT funds must adhere to OHCS' MWESB/SDVBE Compliance manual, available on the OHCS website. Borrowers must submit biannual and a final report to OHCS demonstrating outcomes of efforts to contract with MWESB contractors/subcontractors. Reporting commences once the Reservation Letter is executed and continues until all homes have sold and all completion conditions have been met.

E. Draw Requests

Borrowers may begin drawing on the LIFT award at or after closing. All LIFT funds should be disbursed or requested for disbursement within 36-months of the Reservation Letter date. LIFT funds may be used in escrow at the time of LIFT loan closing to pay off land acquisition or other eligible expenses incurred prior to financial close. After the LIFT loan documents are recorded, Borrowers will be limited to one draw request per month, although it is not required to draw funds each month.

All draw requests must be substantiated by relevant invoices or other documentation demonstrating that the cost has been incurred and that the expenses are eligible for LIFT payment.

1. Allowable Expenses

State-issued Article XI-Q bonds that are allocated to Homeownership Development must be used for costs that can be capitalized, like land acquisition, site development, and construction for affordable housing. All Homeownership Development projects will follow eligible costs in accordance with the Article XI-Q bond guidance.

<u>Examples of allowable bond costs:</u>

- Land acquisition loan
- Site development and infrastructure

- Construction
- Construction loan interest and fees
- Consultant, engineering, surveys
- Architecture, design
- Development contractors and sub-contractors

Examples of unallowable bond costs:

- Related party (e.g., OHCS funds cannot be used to pay OHCS charges)
- Debt reduction (e.g., construction loan principal)
- Insurance, property taxes
- Title and escrow charges, recording fees
- Public infrastructure (e.g., public sidewalks and curbs that are not on the Project site)
- Moving or relocation
- Pollution remediation
- Rent (e.g., temporary office space for employees)
- Operating costs (e.g., office supplies, training, meals, postage, printing, etc.)
- Indirect or administrative expenses (e.g., operating and replacement reserves, staff payroll, etc.)
- Certain direct labor costs if serving as your own General Contractor (see Contractors and Vertical Integration Policy for more details)

VI. Project Completion and Ongoing Compliance

A. Home Sales

Borrowers shall submit documentation showing that completed homes and homebuyers meet compliance requirements including but not limited to:

- Certificates of occupancy for each home due within 30 days of their issue date
- Income certification forms and demographic data for each household purchasing a home due within 30 days of sale. Before selecting homebuyers and selling homes, OHCS requires Borrowers to review these forms and other published Homeowner Income and Demographic Data Guidance.
    - Income certification for Qualified Homeowners may be verified at the time of the home purchase date or no more than one year prior to that date. Area medium

income must at or below 80%, adjusted by family size, as determined by OHCS based upon information from the U.S. Department of Housing and Urban Development ("HUD"). Income certification is required for all subsequent homebuyers.
  - The provision of demographic data is optional for homebuyers.

B. Final Documentation

Once the last home in the Project is sold, OHCS requires final documentation to confirm Project completion. In addition to specific items for each home, OHCS may require items such as, but not limited to, photos of the front exterior of each completed home, final subdivision maps, written statements on the implementation of outreach to communities of color and its results, and the MWESB/SDVBE final report.

Applicants must also submit a final proforma including actual financing sources and sales proceeds, debt repayment, and final project costs. The final proforma must comply with all profit requirements, and the Developer/Borrower profit percentage must be no higher than the amount proposed at application.

OHCS reserves the right to request reimbursement for undue or unallowable profit.

C. Compliance Monitoring

1. Annual Monitoring and Reporting

Annual compliance monitoring begins for each Project at the beginning of the calendar year following the first home sale. As part of this process, Borrowers must submit the following:

- A Certificate of Continuing Program Compliance due at the beginning of each calendar year. The certificate verifies compliance with eligible Homeowners and resales, property maintenance and repairs, insurance, defaults, financial statements, and other information.
- Annual monitoring charges will be assessed and invoiced to each Borrower entity. As of the date of this manual, charges are assessed at $25 per home per year.

2. Home Sales and Subsequent Purchases

When a LIFT Homeowner sells their home and a new homebuyer purchases it, it is the responsibility of the entity named in the LIFT Operating Agreement to notify OHCS. This must happen within 30 days of a LIFT home being sold to a new Qualified Homeowner. The responsible party must submit income verification documents showing that the owner is earning at or below 80% AMI and provide any other necessary documents for the home sale.

If the ownership of a property passes via inheritance, Borrowers must submit all required documents, but the new homeowner does not need to meet income eligibility criteria.

3. Renewed Affordability Period

The LIFT loan will be due and payable in full on the Maturity Date, i.e., the end of the 20-year term of affordability. The LIFT Borrower may elect to extend the Affordability Period for another 20-years at which point the LIFT loan will be satisfied.

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