

**Oregon Housing & Community Services Department
Proposed Conduit Bond Charge Updates
November 22, 2024**

Proposed Conduit Bond Charges

Fees	Description	Current Structure (updated in 2019)	Proposed
Application Charge	Application charge	\$1,500	\$1,500
Issuance Charge	Charged up front on the full tax-exempt portion	1.5% (150k cap)	1.5% (no cap)
Draw Down Charge	At closing, the bonds are either fully drawn or partially drawn. If the bonds are partially drawn, the draw down charge is applicable and charged up front on both taxable and tax-exempt.	0.50%	none
Annual Charge on Balance	Charged annually on the remaining undrawn outstanding balance of the full bond (tax-exempt and taxable if there is a taxable tail)	none	0.25%

Corrected
12/6/24

Context

The proposed charges have been calculated based on a deal structure including bonds drawn in full at closing and standard 20-30 year loan term post-conversion. For certain structures like short-term draws, related parties and re-issuances, we will work with our advisors (bond counsel, financial advisors, our internal debt management team) to get as close to the present value of this charge as possible, which might require different calculations.

The updated charges will affect projects applying for funding after January 2025, not projects currently in our pipeline. Projects receiving fund commitment after these charges are implemented will need to structure the project to support the increased charges. OHCS acknowledges that this will have an impact on the amount of subsidy needed for transactions. All charges are not due up-front, instead a portion of the costs will be an annual charge paid yearly across the lifetime of the bond. [As of 6/21/24](#), costs associated with conduit bond issuance are now allowed to generate eligible basis for the computation of Low-Income Housing Tax Credits (LIHTC). This ruling should help offset some of the

increase in issuance charges that sponsors may face in LIHTC deals because of these proposed changes.

Why are we doing this now?

OHCS' conduit charges were last updated in 2019, and before that in 2008. OHCS' current charges are low compared to other states and issuing jurisdictions, and with average loan sizes increasing, our \$150,000 issuance charge cap limits our ability to collect enough revenue to cover all the costs that OHCS pays out. In 2019, the scale of projects was significantly smaller and there was significantly less subsidy available. With larger scale projects and greater available subsidy today, the current charges need to be scaled to the work being done.

In 2019, the smallest bond issuance was \$3.15M; in 2024, the smallest bond issuance was \$10.6M. This reflects the shift in the scale of projects using these resources and signals an increase in deal complexity which results in increased OHCS costs to support our role in the process. This update is needed to help align with the current market and scale of work necessary to complete these deals.

Larger and more complex transactions carry higher costs, and the prior structure did not allow for that scaling. For each project, OHCS is required to pay treasury, financial advisors, and legal counsel while also supporting internal staffing costs associated with the bond issuance and tracking. This update allows OHCS to come closer to being able to use these charges to adequately cover these costs.

Why are we updating the conduit charges and not the other charges?

We want to align updated conduit charges with the Qualified Allocation Plan (QAP) updates and in preparation for opening 2025 4% LIHTC as an eligible funding source in the ORCA.

Why are we adding an annual charge on balance?

Having an annual charge on the balance allows the owner to pay over a longer period of project operations and lessens the up-front financial need at closing. OHCS is also proposing removal of the draw down charge.

What is the process for updating these conduit charges?

The Affordable Rental Housing and Debt Management teams have conducted research on comparable charge structures, the increasing average size of OHCS-issued loans, and market conditions. Importantly, OHCS differs from most other states in that it is a one-stop shop for many types of funding including tax credits, subsidies and bonds. In other states, sponsors apply to several organizations for their funding, each with their own charges and processes.

We are incorporating a formal comment process to the charges (in alignment with the QAP updates) and will present to the Housing Stability Council for discussion (December 2024) with the goal of finalizing a recommendation for consideration at the January 2025 Housing Stability Council meeting.