

## **9% Low-Income Housing Tax Credit ORCA Application Process and QAP Update**

### **Overview**

The 9% Low-Income Housing Tax Credit (LIHTC) program is authorized by Section 42 of the Internal Revenue Service (IRS) Code. The IRS approves and accepts the Qualified Allocation Plan (QAP) which each state's Housing Finance Agency (HFA) must submit as their guiding policy document for how they will distribute the tax credits. Section 42 has requirements that every state must include as a part of their QAP, one of which is that the 9% LIHTC program must be competitive.

As OHCS has adapted its funding processes to be streamlined and less competitive through the Oregon Centralized Application (ORCA), there are several requirements from Section 42 that need to be accounted for, including this requirement to be competitive. To ensure that OHCS and the Oregon QAP are in compliance with Code but also leveraging the advantages of the new ORCA process, OHCS is proposing the process laid out in this document.

### **Intake and Request Form**

Section Projects applying for 9% LIHTC resources must complete a 9% LIHTC Request Form identifying their interest. This Request Form will be available for a minimum of six weeks, and the open period will be announced by OHCS through a Technical Advisory at least one month in advance of opening.

Importantly, the 9% Request Form will be used to evaluate, screen, and, if necessary, rank 9% project applicants by the selection criteria listed herein. While it will not include all documentation required for finalizing resource commitments, it will be more rigorous than the general ORCA Project Intake form.

Projects recommended for 9% LIHTC will still be required to meet all applicable evaluation standards in the ORCA. Commitments made in the 9% evaluation, screening, and ranking process will be enforced during the underwriting process and beyond. Departure from those commitments will trigger reconsideration of the recommendation of the award.

OHCS staff will seek to complete the review of 9% requests within four weeks following the close of the application period.

### **9% LIHTC ORCA Application Process**

Projects will be evaluated using a simplified application process according to the priorities laid out by OHCS below, and the number of projects selected will be based on available resources identified as available for that funding round. Projects will be notified of their status simultaneously upon selection, and those selected to move forward into the ORCA process with

9% LIHTC will be given access to a Procorem Workcenter to begin the ORCA process's Impact Assessment.

Applicants not selected will be given the opportunity to resubmit through the standard ORCA process if they are able to restructure their project without 9% LIHTC resources or may wait and reapply the next time a 9% LIHTC funding round opens.

If 9% LIHTC are not fully allocated after all eligible projects are selected, OHCS may, at its discretion, open a subsequent window or windows for acceptance of intake forms for 9% LIHTC projects following the process outlined above, until all resources are allocated to projects. For selected applicants, all projects must meet ORCA standards and expectations, including, but not limited to, standards, timelines, and documentation. These are in addition to, not in lieu of, requirements and expectations from the Qualified Allocation Plan (QAP) and any other programmatic requirements of the LIHTC program.

Any questions related to this process should be directed to the Frequently Asked Questions form, and a response will be provided within two weeks

(<https://app.smartsheet.com/b/form/033907c2f56b4da4bf614a09f4cff362>).

### **9% LIHTC Set Asides**

- This process will use the ORCA set asides for geographic regions.
  - Minimum of \$1.5 M in each set-aside to ensure viable project funding
  - Minimum of 10% will need to be nonprofit organizations
- 25% preservation retained
  - Rely on the preservation framework incorporated into the ORCA
- 10% tribal set asides retained.

Any unused credits within any of these set-asides may be reallocated at the discretion of OHCS.

### **9% LIHTC Project Criteria**

In order to select projects to access 9% LIHTC through the ORCA process, OHCS will use the following criteria to create the list of projects that are eligible to be moved forward to Impact Assessment. Projects must meet mandatory threshold criteria and 3 supplemental criteria or more to meet the eligibility standard.

If the total resources requested by projects that meet minimum threshold for this evaluation is greater than the total resources available, projects will then be evaluated against tie-breaker criteria. The number of projects selected to move forward with the comprehensive ORCA application using 9% LIHTC will depend upon total resources available.

## **Mandatory Criteria**

Must meet all of the following mandatory criteria.

### *Responsive to Tenant/Community Needs*

- a. Project includes features in the design, services, site location, or other project considerations that are tailored to the population being served (e.g. wraparound supportive services for chronically homeless households, co-located ECE facility for families with young children, universal design features for older adults, transportation opportunities or unique design features for veterans, unique features or access to locations of cultural significance for communities of color, etc.).
- b. Project demonstrates alignment with the Oregon Housing Needs Analysis and local jurisdiction housing production strategies. Small cities without an OHNA requirement are exempt from this.

### *Economic/Workforce Impact*

- a. Project includes features in the design, services, site location or other project considerations that provide opportunities for employment to residents and benefit to the community (e.g. co-located ECE facility for families with young children, access to community college or workforce training site, walkable access or access to transit to high job density locations).

## **Supplemental Criteria**

Must meet three of the following supplemental criteria.

### *Responsive to Tenant/Community Needs*

- a. Project incorporates an average unit AMI of less than 50% or are including Project-Based Rental Assistance (PBRA) with their units.
- b. Project incorporates a co-located ECE facility.
- c. Accessible units beyond minimum code requirements.

### *Section 42 considerations*

- a. Project has supporting documentation from a local Housing Authority demonstrating that a commitment is in place to market available units to their wait list.
- b. Projects demonstrate evidence of historic value for the community, including Projects using the federal Historic Tax Credit (HTC) as part of the Project financing, and are: Listed, or have been determined eligible for listing, in the National Register of Historic Places administered by the U.S. Department of the Interior in accordance with the National Historic Preservation Act of 1996; or

- Located in a registered historic district and certified by the Secretary of the U.S. Department of the Interior as being of historic significance to that district.
- c. Projects that have formally committed to meeting the Department’s Sustainability Standards which include energy efficiency expectations that exceed current State of Oregon Energy Code requirements.
  - d. Projects intended for eventual tenant ownership.

### Organization Type

- a. Lead developer is a Culturally Specific Organization and/or a rural nonprofit organization.

### Tiebreakers

Projects that meet threshold for evaluation from the above criteria will be further prioritized using the following criteria, in the order listed below, with 1 being the first considered and 4 being the last, if all else all equal:

- 1 Efficient Unit Production: Applicants will be ranked based on the total number of credits requested per units they will be providing for their communities.
- 2 Community Need: If projects remain tied after consideration of the above factors, priority will be given to projects with the greatest affordable housing need in their jurisdictions as defined by the OHNA.
- 3 Average AMI: Lowest average household AMI served.
- 4 Distribution of Resource: Applicants will be ranked based on timeframes since the last 9% LIHTC investment in the jurisdiction the proposed project will be located in, with the jurisdictions that have gone the longest without an award ranked highest. For example, 0-3 years, 4-6 years, 7-10 years, 11+ years.

### Gap with LIHTC Subsidy Limits

The subsidy limits established for this program are intended to:

- Scale according to bedroom size and AMI served;
- Respond to lower rent rates in rural communities with significantly lower AMI, which reduces the ability for projects to cover fixed costs of development;
- Include an additional building-level subsidy for projects that incorporate unique building design functions to serve the target population; and
- Allow for reasonable increases (up to 10% above subsidy limits) when projects approach the final commitment of resources, upon approval by the OHCS Finance Committee.

Note that these subsidy limits differ from those projects receiving gap resources only via the ORCA process. All projects receiving tax credits must adhere to these limits listed below.

**Gap Funding and Subsidy limits are outlined in the charts below.**

Additionally, OHCS will provide **up to \$200,000 per project** where there is a unique, functional building need to ensure tenant life/safety/health, including spaces to meet agricultural workforce needs, accessibility factors for elderly or disabled populations, supporting children, or durability interventions. Standard amenities or community rooms do not qualify.

Rural New Construction				
Incomes Served <small>(based on unit restrictions; PBRA units use 30% AMI)</small>	Studio	1 bedroom	2 bedroom	+ Per-Bedroom
<b>30% AMI</b>	\$180,000	\$210,000	\$240,000	\$30,000
<b>40% AMI</b>	\$170,000	\$200,000	\$230,000	\$30,000
<b>50% AMI</b>	\$160,000	\$180,000	\$200,000	\$20,000
<b>60% AMI</b>	\$150,000	\$170,000	\$190,000	\$20,000

Rural Acquisition / Rehabilitation				
Incomes Served <small>(based on unit restrictions; PBRA units use 30% AMI)</small>	Studio	1 bedroom	2 bedroom	+ Per-Bedroom
<b>30% AMI</b>	\$145,000	\$165,000	\$185,000	\$20,000
<b>40% AMI</b>	\$125,000	\$145,000	\$165,000	\$20,000
<b>50% AMI</b>	\$105,000	\$120,000	\$135,000	\$15,000
<b>60% AMI</b>	\$85,000	\$100,000	\$115,000	\$15,000

Urban New Construction				
Incomes Served <small>(based on unit restrictions; PBRA units use 30% AMI)</small>	Studio	1 bedroom	2 bedroom	+ Per-Bedroom
<b>30% AMI</b>	\$160,000	\$190,000	\$220,000	\$30,000
<b>40% AMI</b>	\$150,000	\$180,000	\$210,000	\$30,000
<b>50% AMI</b>	\$140,000	\$160,000	\$180,000	\$20,000
<b>60% AMI</b>	\$130,000	\$150,000	\$170,000	\$20,000

Urban Acquisition / Rehabilitation				
Incomes Served <small>(based on unit restrictions; PBRA units use 30% AMI)</small>	Studio	1 bedroom	2 bedroom	+ Per-Bedroom
<b>30% AMI</b>	\$125,000	\$145,000	\$165,000	\$20,000
<b>40% AMI</b>	\$105,000	\$125,000	\$145,000	\$20,000
<b>50% AMI</b>	\$85,000	\$100,000	\$115,000	\$15,000
<b>60% AMI</b>	\$65,000	\$80,000	\$95,000	\$15,000