

4% Low-Income Housing Tax Credit ORCA Application Process and QAP Update

Overview

Four percent Low-Income Housing Tax Credit (LIHTC) awards are not limited by the Internal Revenue Service (IRS). Private Activity Bonds (PAB), however, are a constrained resource and are required in order to generate 4% LIHTC. With this understanding, a functional limitation on 4% LIHTC exists based on the Private Activity Bond volume cap made available to support affordable rental housing development. OHCS receives an allocation of PAB from the State Legislature with the total available PAB capped at an amount determined by the IRS Internal Revenue Code Sections 146(d) (1). In addition, OHCS receives supplemental PAB allocations upon request and approval by the Oregon State Treasury Private Activity Bond Committee (OST PAB Committee).

4% LIHTC and PAB ORCA Application Process

The following overviews the process for requesting 4% LIHTC and PAB through the Oregon Centralized Application (ORCA). 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.

Intake Process

Projects applying for 4% Low Income Housing Tax Credits (LIHTC) resources, with or without state subsidy requests, must apply through the agency's Oregon Centralized Application (ORCA) process and designate their application as a 4% LIHTC request by selecting that option in their ORCA Intake Form. OHCS does not guarantee the award or recommendation of a 4% LIHTC allocation, and subsequent PAB allocation, based solely on this Intake Form designation, but in general, any Intake Form that does not request 4% LIHTC will not be considered for a PAB allocation.

When OHCS announces the availability of 4% LIHTC, project sponsors with submitted Intake Forms or who submit Intake Forms after the announcement will be given access to a Procorem

Workcenter to begin the ORCA Impact Assessment step. The Intake Form submission should also indicate the amount of gap resources the applicant intends to request. OHCS will determine the appropriate gap resources to assign to the project based on the project design, location, gap resource availability and other factors.

Project Selection

Projects will apply and be evaluated according to the standards laid out in the ORCA process, and the number of projects selected will be based on available PAB volume cap, and corresponding gap resource availability. Through the ORCA, PAB will be tracked and allocated based upon a first complete first reviewed process and in alignment with the estimated closing date of the project as provided by the applicant.

OHCS will steward and strive to maximize the leverage of the state's Private Activity Bond authority that is made available to affordable housing investments. The project selection process for the 4% LIHTC / PAB projects will rely on the ORCA process and readiness requirements. However, where there is a risk that OHCS will not be able to substantially commit all available PAB to projects in a given year, OHCS reserves the right to reassign resources within the funded pipeline or direct resources to projects on the ORCA waitlists based on the development timeline. This PAB Timeline Prioritization will establish criteria that will be applied to identify best-fit projects that have been reviewed in the Impact Assessment and are on an ORCA waitlist.

2025: Given the current pipeline of projects that will use PAB, OHCS estimates approximately \$150 million could be available to support 4% LIHTC Projects and has a limited pool of approximately \$100 million in LIFT funds available. As such, OHCS recommends establishing a PAB Timeline Prioritization upon initial opening of the resources through the ORCA.

- 1- Reassign Resources: From the current ORCA pipeline of projects with commitments that are reliant solely on gap funds, OHCS will identify projects that could be a good-fit for using the available PAB resources in 2025. These projects will also need to return a portion of the committed gap financing. General criteria for determining this would consider:
 - Development team experience;
 - Project size;

- High subsidy ratio;
 - Closing timelines past the 1st quarter of 2025.
- 2- Prioritize Timing: After pipeline resource reassignment is completed, and for two months after the ORCA application is opened to 4% LIHTC projects, OHCS will only move projects forward for funding recommendation where there are commitments construction close before November 2025, until 2025 resources are no longer available.
- 3- ORCA Pipeline: Once 2025 PAB is fully subscribed, general ORCA processes for review and recommendations will continue using the standards-based assessment and readiness measurements.

All 4% LIHTC projects must meet all of the same standards, timelines and expectations as other ORCA projects and commit to their closing timeline provided upfront.

Private Activity Bond Resource Management

PAB resources to support housing will be based on dedicated resources from the Legislative Bond bill along with applications to the state Private Activity Bond Committee for both Current Year and Carryforward resources.

In managing the states' Private Activity Bond resource investments to support housing, OHCS will work annually with the Housing Authorities of Oregon to establish a Housing Authority Owned (HAO) PAB Set-Aside. This HAO PAB Set-Aside will be eligible for projects that are owned by Housing Authorities and do not require any state loan or grant funding, as defined below. These resources will be held for that following year; unused resources that are not requested within the timelines will be offered through the ORCA. Housing Authorities may choose to issue the bonds for HAO Projects where sufficient capacity is demonstrated and within OHCS suballocation policies. Housing Authority sponsored projects that request gap funding and 4% LIHTC through the traditional ORCA application will not count against the HAO set-aside.

Every year by February 28th (year 0), Housing Authorities will provide OHCS with:

- 1) HAO Project list for the subsequent year's (year 1) PAB resource needs; these projects will be required to submit full applications and ORCA process requirements;
- 2) HAO future pipeline for the following year (year 2) which will be used to support the determination of the needed HAO set-aside, and will be considered by OHCS alongside



state resource needs; these projects will be submitted through the ORCA intake within a year.

Housing Authority Owned (HAO) definition:

- 1) Required:
 - a) Site control including Housing Authority or county owned land;
 - b) 51% or more ownership interest and control of the General Partner or Managing Member entity
 - c) For the purposes of PAB: Project does not require state loan or grant funding.
- 2) Must meet One:
 - a) A loan or contribution of either cash or value representing the lesser of at least 10% of total sources or \$2 million, including but not limited to seller financing in a rehab/resyndication, a sponsor loan, a land lease loan, and/or a land lease contribution.
 - b) Federal, state, or locally-provided project based rent assistance for the lower of 15 units or 15% of units.

2026: HAO PAB Set-Aside will be \$100 M and held through February 28th, 2025.

PAB Award Calculations and Commitments

To determine PAB award needs, OHCS will utilize the Total Project Cost dollar amount from the Impact Assessment proforma to make an estimate of PAB utilization (55% of the total project cost). Projects will be required to stay within 10% of their Impact Assessment fund hold totals of Private Activity Bond or may be required to forfeit their hold and re-enter the ORCA process at Impact Assessment as their project would be considered substantially different or new.

Other substantial changes that may result in loss of PAB include projects unable to remedy financial hardship within the timelines prescribed by OHCS or changes to development team and/or ownership parties.

NOTE: Changes in projects that incorporate value engineering are not considered substantial changes. Changes or delays due actions or inactions taken by local, state or federal jurisdictions are also not considered substantial changes.



Timelines and Closing Dates

Estimated closing dates are required at Intake and Impact Assessment and form the basis of a project's readiness estimation and timelines. OHCS recognizes that these dates are estimates and likely to change, however, all projects must meet the timelines associated with each step of the ORCA process or their PAB hold may be forfeited. OHCS may require timelines to move based upon a number of factors including PAB availability. Projects must close within 12 months of Housing Stability Council approval of an initial ORCA Letter of Intent from OHCS.

In the event that a project does not move forward within required ORCA timelines or does not meet required standards within the ORCA process, the PAB hold will be reallocated by OHCS.

Additional Process Information

- 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.
- After Impact Assessment application evaluation, projects must receive Housing Stability Council approval for initial gap resources if such resources are needed for the project and included in the initial proforma. A Letter of Intent (LOI) will be issued based on an up-to amount for both the gap resources and PAB.
- At the Financial Eligibility step, project sponsors provide a solid, detailed proforma, with cost estimates supported by bids. The LOI will be updated with a more precise amount at this time.
 - The proforma provided at Financial Eligibility should have costs within 10% of the Impact Assessment proforma and further refine the allowable PAB.
 - Complete Tier 1 due diligence submitted by the readiness timeline requirements
- Projects may be held at the Financial Eligibility stage until closing dates are available. If a project is held by OHCS for an agency purpose, the readiness timeline requirements are suspended during that period. Once projects are moved forward into the closing stage, projects have no more than 6 months to close. Projects that do not close in the 6-month

time period will be removed from the queue and must restart the ORCA process.

- Projects will need to go back to Housing Stability Council during the Commitment period to lock in the PAB rate. Once the PAB allocation is locked, any surplus can be released.

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, or in alignment with the maximum PAB cap) 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 only gap resources via the ORCA process. All projects receiving federal tax credits must adhere to the limits listed below.

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 |
| 30% AMI | \$210,000 | \$240,000 | \$270,000 | \$30,000 |
| 40% AMI | \$200,000 | \$230,000 | \$260,000 | \$30,000 |
| 50% AMI | \$190,000 | \$210,000 | \$230,000 | \$20,000 |
| 60% AMI | \$180,000 | \$200,000 | \$220,000 | \$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 |
| 30% AMI | \$175,000 | \$195,000 | \$215,000 | \$20,000 |
| 40% AMI | \$155,000 | \$175,000 | \$195,000 | \$20,000 |
| 50% AMI | \$135,000 | \$150,000 | \$165,000 | \$15,000 |
| 60% AMI | \$115,000 | \$130,000 | \$145,000 | \$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 |
| 30% AMI | \$190,000 | \$220,000 | \$250,000 | \$30,000 |
| 40% AMI | \$180,000 | \$210,000 | \$240,000 | \$30,000 |
| 50% AMI | \$170,000 | \$190,000 | \$210,000 | \$20,000 |
| 60% AMI | \$160,000 | \$180,000 | \$200,000 | \$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 |
| 30% AMI | \$155,000 | \$175,000 | \$195,000 | \$20,000 |
| 40% AMI | \$135,000 | \$155,000 | \$175,000 | \$20,000 |
| 50% AMI | \$115,000 | \$130,000 | \$145,000 | \$15,000 |
| 60% AMI | \$95,000 | \$110,000 | \$125,000 | \$15,000 |

