State of Oregon

Qualified Allocation Plan

For Low Income Housing Tax Credits

REVISED
December 19, 2022

Approval of the State of Oregon
Updated 2022 Qualified Allocation Plan
Low Income Housing Tax Credit Program

I, Kate Brown, Governor of the State of Oregon, do hereby approve for implementation the updated 2022 Qualified Allocation Plan that governs the federal Low Income Housing Tax Credit Program, as presented to me by the Oregon Housing and Community Services Department under the provisions of IRC Section 42, Executive Order EO-87-06 and OAR Chapter 813, Division 90.

Kate Brown ______________________________ 12/19/2022 ____________________

The Honorable Kate Brown, Governor of Oregon Date

EQUAL HOUSING OPPORTUNITY

Oregon Housing and Community Services does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, gender identity, or sexual orientation in the provision of services.

An equal opportunity employer.

Information will be made available in alternative format upon request.

Table of Contents

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 the Oregon 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 OHCS will use to determine its housing priorities,
- (ii) the preferences of OHCS in allocating housing credit dollar amounts among selected projects (Projects), including:
  - (I) Projects serving the lowest income tenants;
  - (II) Projects obligated to serve qualified tenants for the longest periods;
  - (III) Projects that are located in qualified census tracts and the development of which contributes to a concerted community revitalization plan; and
  - (IV) the procedures that OHCS will follow in monitoring for Program noncompliance and in notifying the IRS of such noncompliance and in monitoring for noncompliance with Project habitability standards through regular site visits.

Section 42(m)(1)(C) of the Code provides the selection criteria that must be used. The selection criteria set forth in a QAP must include:

- (i) Project location;
- (ii) housing needs characteristics;
- (iii) Project characteristics, including whether the Project includes the use of existing housing as part of a community revitalization plan;
- (iv) sponsor characteristics;
- (v) tenant populations with special housing needs;
- (vi) public housing waiting lists;
- (vii) tenant populations of individuals with children;

(viii) Projects intended for eventual tenant ownership;
(ix) the energy efficiency of the Project; and
(x) the historic nature of the Project.

This Plan does not apply to the allocation of “recycled” volume cap in accordance with Section 146(i)(6) of the Code. Such “recycled” volume cap shall be assigned and allocated in accordance with policies and procedures established from time to time by the Department.

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 Oregon Administrative Rules governing the LIHTC Program, the provisions of IRC Section 42 and/or the Oregon Administrative Rules take precedence and the plan will be amended accordingly.

The Plan has been revised for 2022. 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. Additionally, OHCS reserves the right to amend, modify, or withdraw provisions contained in this Plan that are inconsistent or in conflict with state or federal laws or regulations. In the event of a major natural disaster, pandemic / epidemic, disruption in the financial markets, or reduction in subsidy resources available, including tax credits, the Agency may disregard any section of the Plan, including point scoring and evaluation criteria, that interferes with an appropriate response.

The Oregon Housing Stability Council recommended the amended 2022 Plan on December 2, 2022. A public hearing was be held concerning the Plan on November 10, 2022 after appropriate notice was provided in accordance with IRS Section 42(m)(1)(A)(ii). Comments and agency responses can be found in appendix two of this document.

Credit Overview

4% Low Income Housing Tax Credits

The State of Oregon (State) is provided with access to tax credits that are only available to Projects that are financed using tax-exempt bond proceeds that are associated with Oregon's Private Activity Bond Authority. The tax-exempt bonds are subject to the volume cap limitations in Section 146 of the Code as further detailed in Section 42(h)(4)(A)and(B) of the Code.

OHCS allocates the Private Activity Bonds (PAB) from time to time on a competitive basis through a series of set-aside categories (Set-Aside Categories), award order(Award Order) and prioritization laid out in this QAP. The Set-Aside Categories specific to the PAB, including their respective requirements and the percentages, are further described below. Projects requesting to be financed with 4% LIHTC will be allocated PAB subject to availability. All project PAB allocations are subject to final approval by the Oregon Private Activity Bond Committee until such time as state law provides for an exception from this requirement.To be eligible for PAB and/or 4% Tax Credits, all applications must compete in the Set-Aside Categories listed below. If, after the resources are recommended by OHCS for allocation between the two Set-Aside Categories, there is remaining PAB authority in one of the Set-Aside Categories, the unallocated PAB will be diverted to the other Set-Aside Category. If PAB remains after OHCS recommendations, the remaining PAB will be diverted to next offering.

Allocation Set-Asides

Percent of PAB	Set-Aside Category
65% of PAB Volume Cap	**Portland Metro** Projects sited in Multnomah, Washington or Clackamas Counties will compete in this Set-Aside Category
35% of PAB Volume Cap	**Balance of State** Project sited in any of the other 33 counties not specified within the Portland Metro Set-Aside will compete in this Set-Aside Category.

Following a project's Set-Aside Category selection, the following criteria will be applied to establish a list of projects organized by priority for an allocation of PAB.

Award Order and Eligibility

The below order and eligibility criteria are not applicable to projects that were previously awarded volume cap but have not yet been placed-in-service and that are requesting an award of additional volume cap to permit the issuance of additional private activity bonds to meet the restrictions of Section 42(h)(4)(B) of the Code and preserve 4% Low Income Housing Tax Credits for the project. The award of volume cap to such projects will be expedited and prioritized over all other PAB requests, notwithstanding the Award Order and other criteria set forth in this Plan.

Award Order	Category	Project Criteria for Eligibility
1st	Housing Authority Owned	Defined as a project with a sponsor or co-sponsor that is a Housing Authority and meeting at least one (1) criterion from each of List A and List B as described below: **1. List A:** a. Site control and 100% ownership interest in sole General Partner or Managing Member entity b. Controlling interest in the sole General Partner or Managing Member entity (51% or greater ownership) plus the site is located on Housing Authority controlled land. **2. List B:** a. A loan representing the lesser of 10% of total resources or $5 million. b. Project based rental assistance for the greater of 25 units or 25% of the total units.
2nd	Significant local funds (loans/grants)	Defined as a project that has the lesser of 10% of its total project resources or $5 million dollars from a local jurisdictional gap subsidy source.
3rd	OHCS and/or Federally Funded	Defined as a project that meets at least one of the following requirements: a. Has a confirmed reservation of an OHCS capital subsidy resource. b. Has federal capital funding.

4th	Without Other Subsidy	Defined as a project without any of the other funding sources indicated in the 2nd and 3rd Award Order categories above.

If, after applying the above criteria, Set-Aside or Award Order categories continue to be oversubscribed for available PAB resoruces, the following criteria will be used to further prioritize projects within a particular application cycle.

Resource Prioritization Post-Award Order and Eligibility

Priorization	Category	Project Criteria for Eligibility
1st	Culturally Specific	See 9% Set-Aside Category for eligibility definition on page 12.
2nd	Serving Lowest Incomes	Described as a project that has the highest percentage of units restricted to residents at 30% MTSP Area Median Income and with rents limited to 30% of MTSP Area Median Income – OR – a project that has the highest percentage of units with state or federal project-based rent assistance.
3rd	Permanent Supportive Housing (PSH)	Described as a project that has been awarded or reserved for PSH resources for rental assistance and supportive funding to support people experiencing chronic homelessness.

9% Low Income Housing Tax Credits

OHCS allocates the State's 9% LIHTCs on a competitive basis, based on the selection criteria, preferences, and policies laid out in this QAP. The set-aside categories, their respective requirements, and the amount of the annual 9% LIHTC allocated to each are described below.

Allocation Set-Asides

Percent of 9% LIHTC	Set-Aside Category
10% of total annual allocation as required by IRC §42(h) (5) – across	**Qualified Non-Profit** 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 of its exempt purposes the "fostering of low-income housing."

all categories set-aside.	
10% of total annual allocation – across all categories set-aside.	**Qualified Culturally Specific Organizations/Developers (QCSO)** Defined as being a Project sponsored by an organization that is designed to serve historically underserved communities representing "least likely to apply" for housing occupancy. The QCS Organization must: A. be representative of a community or significant segments of a community and provide affordable housing to low- and very low-income households; and B. demonstrate primary target populations served to be "least likely to apply." A target population is "least likely to apply" if there is an identifiable presence of a specific demographic group in the housing market area, but members of that group are not "likely to apply" for the housing without targeted outreach, including marketing materials in other languages for limited English proficient individuals, and alternative formats for persons with disabilities. Reasons for not applying may include, but are not limited to, insufficient information about housing opportunities, language barriers, or transportation impediments.

25% Set-Aside	**Preservation Projects Set-Aside** Preservation Projects are defined as either: A. Projects for which (i) at least twenty-five percent (25%*) of the residential units have federal Project-based rent subsidies AND (ii) one of the following is applicable: • the HUD Section 8 contract is expiring; • the USDA Rural Development (RD) loan is maturing within seven years; or • RD restrictive use covenants have expired; OR B. Projects with public housing units undergoing a preservation transaction involving a comprehensive recapitalization. (*For scattered site Projects with multiple locations, the 25% is calculated based on all units in all Project locations)
10% Set-Aside	**Tribal Lands Set-Aside** Defined as an application sponsored or co-sponsored and of financial benefit to a tribal government, tribally designated housing entities or tribal corporate entities on tribal trust land. If this Set-Aside Category is not fully utilized, the balance of resources will pass to the Non-Metro HUD HOME Participating Jurisdiction Projects Set-Aside.
65% Set-Aside	**Regional Pool Set-Aside;** Allocated to the following Set-Aside Regions based on 5-year American Community Survey Data on severely rent-burdened households and renter households with a head of household of color: • Portland Metro Counties (HUD HOME Participating Jurisdictions of Clackamas County, Multnomah County, and Washington County)

	• Non Metro HUD HOME Participating Jurisdictions (the cities of Eugene, Salem and Springfield, and Marion County) • Balance of State Urban (cities of Albany, Ashland, Bend, Central Point, Dallas, McMinnville, Medford, Newberg, Redmond, and Woodburn) • Balance of State Non-Urban/Rural (Balance of State) No region to be allocated less than $1 million in 9% LIHTC. If Balance of State Urban or Balance of State Non-Urban/Rural are under-subscribed, the remaining resources should first be moved to the other Balance of State region before reverting to the overall Regional Pool Set-Aside.

Determination of Credit Amount

The owner of a low-income housing property must certify to OHCS that the Project meets the minimum requirements of:

(i) 20 – 50 test under Section 42(g)(1)(A) of the Code,
(ii) 40 – 60 test under Section 42(g)(1)(B) of the Code, or
(iii) Income Averaging test under Section 42(g)(1)(C).

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 extended use period. OHCS will evaluate each proposed Project taking into account relevant factors, including but not limited to the following items:

(i) Project cost, including the reasonableness of cost per unit, developer fees and overhead, consultant fees, builder profit and overhead, and syndication costs;
(ii) Sources and uses of funds and the total financing planned for the Project, including the ability of the Project to service debt;
(iii) The proceeds or receipts expected to be generated by reason of tax benefits;
(iv) The use of federal funds and other assistance; and

(v) 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 at the sole discretion of OHCS 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 at the sole discretion of OHCS at the time of final application and prior to the issuance of IRS Form 8609, (Low-Income Housing Credit Allocation and Certification) as detailed in the LIHTC Requirements and Processes Section of this QAP*,* **Placed-In-Service Allocation Requirements**.

If there is a material increase in LIHTC pricing subsequent to a reservation of tax credits, OHCS reserves the right to adjust the amount of a tax credit award or any other OHCS funding source. OHCS may use the following guidelines for avoiding Project over-subsidization. Subject to the approval of OHCS, the increase may be used:

(i) To decrease rents.
(ii) To reduce the permanent loan, sponsor loans, tax credit allocation or other OHCS funding sources as determined by OHCS in consultation with the Project ownership.
(iii) For necessary and justifiable cost increases or to reduce deferred developer fees, as allowable under the Code.

Pursuant to Section 42(m)(1)(A)(iii) of the Code, a comprehensive market study of the housing needs of low-income individuals in the area to be served by the Project must be conducted by a disinterested third party approved by OHCS before the credit allocation is made and at the developer's expense.

Applying for Credits

Project Charges

When applying for or receiving any Program funds, the applicant (Applicant) must pay applicable charges, as adopted by the Oregon Housing Stability Council. These charges include, but are not limited to, application charges, recipient charges, reservation fees, and compliance charges. The charges adopted by the Housing Stability Council will be posted on the Funding Opportunities webpage of the OHCS:
https://www.oregon.gov/ohcs/development/Pages/funding-how-it-works.aspx

4% LIHTCs/Conduit Bond Application Timing/ Process

OHCS will review and accept applications for 4% LIHTC/Conduit Bond from time to time pursuant to a Notice of Funding Availability (NOFA).

Application Process

Applications for the 4% LIHTCs / Conduit Bonds involve a two-part process.

(i) Part 1: A preliminary intake application is required to accomplish the following:
   a. Prioritize the 4% LIHTC/Conduit Bond pipeline for an allocation by readiness criteria.
   b. Set an Intent Resolution, if using OHCS bonds.
   c. Determine a specified due diligence needs list to submit along with required materials for the part two application.

(ii) Part 2: A complete 4% LIHTC application, including the following additional requirements:

   a. Updated readiness to proceed benchmarks and due diligence items list must be submitted to OHCS prior to approval of the funding request.

   b. Pre-Approval of Management Agent and Resident Services: Pre-Approval must be requested at least 60 days prior to construction finance close and prior to Finance Committee review of the project.

Link to Pre-Approval Form: https://app.smartsheet.com/b/form/4bd86ae46e59457d844c4c1c8b21daa0

c. Final Approval of Management Agent and Resident Services: To receive final approval, the Applicant must submit the full management agent packet when the project reaches 50% construction completion.
Link to Full Packet: https://www.oregon.gov/ohcs/compliance-monitoring/Documents/OHCS-Management-Agent-Packet.pdf

d. The Project must close on the construction financing by the date listed on the intake application.

Project Performance

OHCS will accept applications for 4% LIHTC and PAB a minimum of once per year based on Readiness to Proceed parameters. Projects must meet their Readiness Benchmarks to remain in the allocation pipeline.

Consequences of Changes to Closing Timeline

In the event that the Project is not expected to meet its originally established closing timeline, a Project may request a thirty (30) day extension of the initial closing date, subject to availability on OHCS's financing calendar. Whether an extension of the closing date is granted, the duration of such extension and the conditions to such extension shall be at the full discretion of OHCS.

Failure to submit a formal extension request to OHCS or the rejection of such request will remove the project from the approved project list, and the Applicant will need to re-apply for a closing date. The only exception to the requirements of this section is in circumstances where OHCS is at fault for causing the delay in the closing timeline.

OHCS Discretion to Change Timelines and QAP Requirements

OHCS reserves the right to waive, change or alter any timelines, processing and other QAP requirements, at its sole discretion, to encourage and/or facilitate the financing of tax-exempt and 4% LIHTC financed projects including, but not limited to, implementing application pauses and blackout dates, increasing allocations of 4% LIHTC and PAB, and adjusting readiness benchmarks.

Applicability of this Section
This section shall only apply to Projects selected for allocation of 4% LIHTC and PAB on and after December 19, 2022 the date of approval of this revised QAP by the Governor of Oregon.

9% LIHTCs/ Notice of Funding Availability (NOFA) timing/ process

9% LIHTCs are offered on a competitive basis structured as a Notice of Funding Availability (NOFA) and are generally made available once each year, most often in the first quarter of the year. The NOFAs reflect the threshold and competitive criteria laid out in this QAP.

(i) Any NOFA will include a pre-application that:
   a. Determines eligibility for 9% LIHTC basis boost, and
   b. Provides Applicants early insight on some portion of established competitive scoring criteria.

   Failure to submit a pre-application by the deadline established in the NOFA will remove a Project from consideration.

   a. Each Application will be reviewed for timeliness and completeness of the NOFA requirements. The following are pass/fail criteria; meaning if the requirement is not met the Project will be disqualified and not considered for funding reservation:

      i. Application and Charge Transmittal form and payment of application charges.
      ii. Owner/Board of Directors' Authorization and Acceptance form;
      iii. Organizational documents;
      iv. Diversity, Equity, and Inclusion (DEI) agreement;
      v. Complete NOFA application with required exhibits; and
      vi. Certification of pre-application submission.

      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.

NOFA applications that pass administrative review will be reviewed for threshold and then competitive scoring elements. They will be ranked within the set-aside groups and prioritized for funding recommendation.

9% LIHTCs/Notice of Funding Availability (NOFA) Ranks and Tie Breaking

(i) Applications are first ranked within each Set-Aside Category. Applications that have the highest score within each Set-Aside Category will be recommended for funding as allocated resources allow.

a. If an Application within a Set-Aside Category does not receive a high enough score to be funded (as prescribed in the applicable NOFA), or if there are no projects to fund within a set-aside category, the Set-Aside Category funds will be returned to the statewide pool, with the exception of
    i. the Tribal Set-Aside, which will first be directed to the Non-Metro HUD HOME Participating Jursdiction Set-Aside before returning to the statewide pool and;
    ii. Balance of State Set-Asides, which will first fund each other before returning to the statewide pool.

b. Once remaining resources are pooled, Applications will 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.

(ii) 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:

a. If the tied Projects are in different Set-Aside Categories or Regions and more than fifty percent (50%) of the remaining funds come from one of those Set-Aside Categories or Regions, the Project in that Set-Aside Category or Region will be funded.

b. If the tied Projects are in the same Set-Aside Category or Region, or from Set-Aside Categories or Regions whose allocation contributes less than fifty percent (50%) of the remaining funds, the Project serving households with the lowest Average Median Family Income served will be funded.

c. If the Average Median Family Income of households served is the same for both Projects, the Project with the lowest LIHTC per bedroom will be funded.

Returned / Unused LIHTC Allocation Authority

(i) **Reissuing Returned Awards**: If an application being considered for a LIHTC Reservation or Allocation is withdrawn or cancelled; or available credits were not originally allocated during the funding cycle or can't make its carryover requirements, or National Pool as prescribed at IRS section 42(h)(3)(D)(iii) is awarded above current allocations, OHCS, may do any of the following:

a. 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, they 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 NOFA. Any credits returned after September 30 of any year will be treated as if received in the following year, and will be allocated as part of the next allocation year.

b. Issue a Request For Proposals (RFP), or special application process for Projects to compete for the unused LIHTCs.

c. Add the returned amount to the total available for the following calendar year's application-award cycle.

OHCS may take such steps as it deems appropriate to maintain the desired funding split between Set-Aside Categories. Applications will remain eligible for the funding cycle under which the Application was made for LIHTCs, only if the Applicant has not applied for 4% LIHTCs).

(ii) **Re-evaluation of Reservation**: The following events will result in a re-evaluation of a previously issued Reservation:

a. Failure to close within Three Hundred (300 days of the Reservation ("Reservation Period").

b. A material change so that the Project or Applicant no longer meets the Minimum Threshold Requirements (set forth below in "Minimum Thresholds for Application – 4% and 9% LIHTC") 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.

(iii) **Agency authority to use discretion**: In the event of a re-evaluation of a Reservation, OHCS, at its reasonable discretion, may do one of the following:

a. Revoke the Reservation.

b. Approve requested changes to the original Reservation or Application as proposed.Leave the Reservation in place with no changes .

Minimum Thresholds for Application– 4% and 9% LIHTC

OHCS has the following Minimum Threshold Requirements (Thresholds) for evaluating Applications. The Applicant must demonstrate in the Application compliance with all applicable Thresholds. Failure to pass any of the Thresholds may disqualify the Application from consideration and therefore from receiving any funding. Additionally, the Applicant must submit a complete, legible, and executed Application satisfactory to OHCS. The Applicant must submit all required attachments and the appropriate Application charge by the deadlines established by OHCS and must use OHCS's Application forms.

(i) **Long Term Affordability**: All awarded 9% LIHTC and 4% LIHTC projects must remain affordable for 60 years, except that for LIHTC projects paired with other OHCS resources requiring an affordability period of not less than 30 years, the affordability period for the LIHTC project may be less than 60 years.

(ii) **Violence Against Women Act**: In conformity with the Violence Against Women Act (VAWA) of 2013, an Applicant for or tenant of housing assisted under the LIHTC Program may not be denied admission to, denied assistance under, terminated from participation in or evicted from the housing on the basis that the Applicant or tenant is or has been a victim of domestic violence, dating violence, sexual assault or stalking, if the Applicant or tenant otherwise qualifies for admission, assistance, participation, or occupancy. An incident of domestic violence, dating violence, sexual assault or stalking shall not be considered a lease violation by the victim, nor shall it be considered good cause for an eviction. If a tenant who is a victim requests an early lease termination, lease bifurcation from the abuser, or transfer to another unit because she/he is in danger, a LIHTC owner, manager, or agent thereof shall make every effort to comply with the request and shall not penalize the tenant.

(iii) **Waiver of Qualified Contract**: By submitting an application for LIHTCs, all LIHTC Applicants waive the right to request a qualified contract under Section 42(h)(6)(E)(i) of the Code. Thus, any OHCS-required extended use commitment shall not terminate at the end of the compliance period but will instead have a minimum duration of 60 years for both 9% LIHTC and 4% LIHTC transactions.

(iv) **Diversity, Equity, and Inclusion (DEI) Agreement**: All Applicants and members of their development teams, including, but not limited to developers, consultants, management agents and service providers are required to enter into an agreement to commit their organizations to ongoing efforts to enhance diversity, equity, and inclusion practices throughout their organizations.

(v) **Minority, Women, and/or Emerging Small Business (MWESB) Engagement**:

OHCS requires participants to seek MWESB professional firms to increase the participation level of such businesses in their construction projects to meet OHCS's

MWESB goal. OHCS also encourages the utilization of local labor and partnering with the community to help build healthy, affordable homes, which addresses OHCS's goal of increasing apprenticeship programs in Oregon and improving economic and social vitality

All Applicants will be required to identify the approach and benchmarks they will use to contract withwith MWESB contractors/subcontractors.These contractors/subcontractors include, but are not limited to, consultants hired from design to lease up and mangement, such as architects, legal representation, relocation services, environmental services and a wide spectrum of trades and business sectors within the planning, construction, and operation of the proposed Project.

The general contractor and the developer may utilize MWESB firms that are certified by the Certification Office for Business Inclusion and Diversity ("COBID" as well as non-COBID MWESB firms, provided that the general contractor or developer, as applicable, encourages non-COBID MWESB firm to become COBID certified and offers to assist the MWESB firm with becoming a COBID certified firm prior to completion of Project construction.

Participants are scored based on their approach to MWESB engagement and contracting and how well this approach implements the OHCS MWESB and Service Disabled Veteran Business Enterprises (SDVBE) policy. Reporting around MWESB or Service Disabled Veteran Business Enterprises (SDVBE) is a critical component of OHCS's work to enhance equity and racial justice through funding efforts. Participants with Projects that are under development should upload all MWESB-SDVBE reports (initial, quarterly, and final) to the "MWESB Reports" folder in their Procorem Project Workcenter.

The submission requirements for these reports are set forth below:

1. MWESB Equity Matrix: To be completed and submitted to the MWESB Program Analyst, no later than 30 days prior to Finance Committee Review or

2. MWESB Initial Equity Report and MWESB Acknowledgement and Certification (sponsor and general contractor): To be completed and submitted to MWESB Program Analyst, no later than financial closing.

3. Quarterly MWESB Reports: Due at the end of each calendar quarter (March,

June, September, December) throughout construction period and submitted through the Procorem Project Workcenter.

4. Final MWESB Report: To be completed and submitted to the MWESB Program Analyst, at construction completion.

The OHCS MWESB Manual can be located at: https://www.oregon.gov/ohcs/development/Pages/mwesb-sdvbe-rental-housing.aspx

(vi) **Asset Management Compliance and Project Monitoring**: As the authorized allocating agency for the State, OHCS is responsible for monitoring Projects for compliance with Section 42 of the Code, corresponding Treasury regulations, and any other applicable IRS guidance (rulings, procedures, decisions, notices, and any other applicable IRS guidance), the Fair Housing Act, State laws, local codes, OHCS loan or regulatory documentation, and any other legal requirements as determined to apply by OHCS in its sole discretion. OHCS may, at any time, adopt and revise standards, policies, procedures, and other requirements in administering the LIHTC Program. Project owners (Owners) must comply with all such requirements if implemented after this QAP is approved.

OHCS is responsible for establishing monitoring procedures to verify compliance and is required by law to report noncompliance to the IRS. Monitoring each Project is an ongoing activity that extends throughout the affordability period and through the extended use period (a minimum of 30 years). Projects with funding sources obtained from OHCS in addition to the tax credits, will be monitored for the most restrictive requirements of all combined OHCS Programs. Owners must be aware of the differences in Program regulations. OHCS's LIHTC Compliance Manual is incorporated by reference and may be found at http://www.oregon.gov/ohcs/Pages/compliance-monitoring-manual-lihtc.aspx

OHCS 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. Ownership must provide OHCS reasonable access to the Project and its books and records, and reasonably cooperate in all such compliance monitoring. In connection with these obligations, an Owner must take all reasonably necessary action to allow OHCS to inspect housing units occupied by residents.

(vii) **Program Compliance:** All OHCS Projects must satisfy the Program requirements (Program Requirements) for each applicable OHCS funding source requested. Each OHCS funding source has separate requirements, which can be found in supplemental Program manuals.

(viii) **Relocation Plan**: If any relocation or displacement of existing tenants might occur because of an Allocation, the Application must contain a relocation plan satisfactory to OHCS and include, among other things, a complete survey of existing tenants. OHCS's LIHTC Compliance Manual is incorporated by reference and may be found at http://www.oregon.gov/ohcs/Pages/compliance-monitoring-manual-lihtc.aspx This survey must use the format provided by OHCS, be augmented to include third party income verification, and be completed and approved by OHCS prior to the equity closing for the Project (Equity Closing).

(ix) **Ownership Integrity**: OHCS may reject an Application where the Applicant or any member, officer, or principal within the Project ownership, management, or development team:

i. Is currently under investigation by a public body, has a pending claim, indictment, suit, action, or other proceeding against them;
ii. 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 10 years;
iii. Has been involved in a bankruptcy proceeding within the previous five (5) years; or
iv. Has been debarred or otherwise sanctioned by OHCS.

(x) **Single-Asset Ownership**: OHCS requires that each Project be owned by a single-asset entity duly organized under the laws of the State of

Oregon, or if allowed by OHCS, duly authorized to conduct business in the State of Oregon.

(xi) **Extended Use Agreement (REUA)**: Applicants that receive OHCS Allocations must enter into a Reservation and Extended Use Agreement (REUA), satisfactory to OHCS, which includes executing and recording, at the Applicant’s expense, a follow-on declaration of restrictive covenants and executing and recording other documents about 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” as referenced in the Project’s restrictive use agreements.

(xii) **Right of First Refusal (ROFR):** OHCS hereby reserves the right to require any and/or all the following with respect to applications:

(i) provisions to be included in the Applicant’s organizational documents limiting transfers of partnership or member interests or other actions detrimental to the continued provision of affordable housing.

(ii) a letter of intent from a tax credit investor that clearly grants to a qualified not-for-profit organization a right of first refusal to purchase the project for a below-market purchase price (the “ROFR Purchase Price”), following the expiration of the tax credit compliance period, in accordance with Section 42(i)(7) of the Code (the “ROFR”)

(iii) terms in the extended use agreement requiring notice and approval by OHCS of transfers of partnership or member interests.

(iv) debarment from the program of Project sponsors, investors, syndicators, or lenders having demonstrated a history of conduct detrimental to long-term compliance with extended use agreements, whether in Oregon or another state, and the provision of affordable tax credit units; and

(v) provisions to implement any amendment to the IRC or any future federal or state legislation, regulations, or administrative guidance.

The decision whether to institute, and the terms of, any such requirements shall be made by OHCS as reasonably determined to be necessary or appropriate to achieve the goals stated in this paragraph and to be in the best interest of the Plan.

Placed-In-Service Allocation Requirements: All LIHTC Applicants are required to complete a Final Application containing required documentation. Any changes from the Equity Closing are subject to OHCS review and approval prior to the issuance of IRS Form 8609. Projects with excess funds must return those funds to one or more of the public funders upon Project completion. OHCS funding 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 budget 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 the Owner expects to receive the IRS Form 8609.

Upon completion of the Project, for 4% LIHTC Projects, 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 for the State.

(xiv) **Project Changes**: An Applicant must notify OHCS in writing of, and obtain its written consent to, any material changes 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 receiving the notice of a material change and request for consent. OHCS may give or withhold its consent, or condition its consent, 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 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 a change in a Project is material. OHCS's materiality determination is final.

The written request for approval of a material change in a Project must 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 by OHCS, it may adjust the amount of the funding allocation to ensure the pro forma "sources and uses" of the Project remain in balance.

(xv) **Cost Savings Clause**: Construction contracts that include any provision for cost savings that are to be retained by the general contractor or split with the Project Applicant are not permitted.

(xvi) **Project Transfer or Assignment Requiring OHCS Consent:** A Project transfer or assignment requiring OHCS consent includes any direct or indirect sale, contribution, assignment, lease, exchange, 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 to 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; or
- The issuance, redemption, or transfer of stock or shares of a corporation that is not a closely held corporation.

(xvii) **Process and Requirements for Obtaining OHCS's Consent**: The first step in obtaining OHCS's written consent to a Project transfer or assignment is to advise OHCS in writing of the proposed transfer or assignment. At a minimum the Applicant should describe:

- The name of the Project;
- The names of the Applicant and/or the Owner, the proposed transferor and transferee, and all other relevant parties;
- A complete description of the proposed transfer or assignment, including the proposed effective date; and
- Any special circumstances related to the proposed transfer or assignment.

After OHCS's receipt of the written request, OHCS will advise the Applicant of OHCS's requirements and conditions that must be satisfied to obtain the 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 such set-aside category.

(xviii) **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 pro forma, final sources of funds, and documentation to substantiate the final budget items at least ten (10) days prior to submission to the OHCS Finance Committee for approval.

(xix) **Market Study**: Applicants must submit a complete market analysis prior to receiving a 9% LIHTC or 4% LIHTC allocation. The deadline for submission will be established within the reservation letter for projects selected for funding. Applicants should read and refer to the LIHTC Market Analysis Guidelines for a full description of OHCS policies and guidelines. Selected projects must use approved OHCS Market Analyst as required in code at IRC §42(m)(1)(A)(iii)

The Market Analysis Guidelines can be found at:
https://www.oregon.gov/ohcs/development/Documents/admin/market-analysis-guidelines.pdf

The Approved Market Analyst List can be found at:
https://www.oregon.gov/ohcs/development/Documents/LIHTC/Approved-Market-Analysts-List-12-01-21.pdf

(xx) **OHCS Sustainable Development Standards**: All Projects receiving funding via OHCS administered Programs must demonstrate a commitment to sustainable design and construction practices. In addition to the Baseline Project Requirements defined in Core Development Manual (CDM), OHCS requires funded Projects to comply with the three OHCS Sustainable Development Standards (SDS) listed below:

- Modules: SDS Module 1: OHCS Approved Sustainable Building Path.
- SDS Module 2: OHCS Solar-Ready Requirement.
- SDS Module 3: OHCS Electric Vehicle (EV)-Ready Requirement.
- Applicants should read and refer to the CDM for a full description of Department policies and guidelines.

The CDM can be found at:
https://www.oregon.gov/ohcs/development/Documents/Core-Development-Manual/CDM-Version-3-1.pdf

(xxi) **Identity of Interest**: Applicants must disclose and describe to OHCS all specific Identity of Interest. Identity of Interest is defined as a financial, familial, business, or similar relationship that permits less than arms' length transactions among the parties participating in the development or operation of the Project (i.e., whether an "Identity of Interest" exists). Such disclosures shall be made when Applications are submitted and at such other times during the development and operation of Projects and processing of tax credit allocation requests as requested by OHCS.

(xxii) **Misrepresentation and Fraud**: OHCS may disqualify an Applicant or Project, or cancel a funding, if the Applicant, a principal, or any representative of the Applicant or the Project makes a material misstatement, omission, or misrepresentation to OHCS, is under investigation, or has been convicted of or is currently indicted for fraud, theft, or other criminal activity involving the misappropriation of funds, false certifications, financial improprieties, or the like. OHCS, in its sole discretion, may also exercise any and all other remedies available under the Program Requirements, or otherwise available to it by law.

Next section on following page.

9% LIHTC – Criteria Elements

General Criteria

(i) **9% LIHTC Project Cap**: No Applicant may receive more than 20 percent of any annual tax credit allocation. If additional Projects have been submitted by the applicant 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 Applicant may receive more than an average of 15 percent of annual tax credit allocations over any two sequential years allocations.

For example, if an Applicant receives 20 percent of funds in year one, they would only be eligible for 10 percent in year two; OR, if an Applicant receives 15 percent of funds in year one, the Applicant 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.

(ii) **9% LIHTC Restriction**: Projects that have been funded with 9% LIHTC in 2019 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.

(iii) **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:
https://www.hud.gov/Program_offices/housing/mfh/progdesc/disab811.

(iv) **Housing and Economic Recovery Act of 2008 (HERA) Basis Boost**: Pursuant to HERA and subject to update should federal regulation permit, OHCS has the authority to increase the eligible basis for 9% LIHTC Projects from 100 percent eligible basis up to 130 percent of the eligible basis 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.

- Rural Projects defined as communities with populations of 15,000 or less, outside of the Portland Urban Growth Boundary, in counties within Metropolitan Statistical Areas (Benton, Clackamas, Columbia, Deschutes, Jackson, Marion, Multnomah, Polk, Washington, and Yamhill Counties) and in communities with populations of 40,000 or less in the balance of the State.
- Preservation Projects.
- Projects serving permanent supportive housing goals.
- Projects sited on tribal lands.
- Projects with at least twenty percent (20%) of the units restricted to LIHTC Extremely Low (30%) rents and income limits.
- Projects that are located in Transit Oriented Districts (TOD's) as designated by local governments
- 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.

(v) **Resident Services**: The Applicant is required to provide a Resident Services Description at the time of Application submission in accordance with the goals and guidelines in the OHCS LIHTC Compliance Manual: https://www.oregon.gov/ohcs/Pages/compliance-monitoring-manual-lihtc.aspx.

Readiness to Proceed

(i) **Zoning**: The Project location must be properly zoned for the intended Project type. The Applicant must provide the Certification of Zoning executed by the appropriate zoning authority to verify proper zoning.

(ii) **Site Control**: Applicant must have control of the land and other real property necessary for the Project by the Application deadline as evidenced by one (1) of the following:

a. Recorded deed or conveyance showing the Applicant has ownership,
b. Valid purchase and sale agreement,
c. Valid option to purchase,
d. Valid option for a long-term lease (lease must be approved by Oregon DOJ),
e. Any other evidence satisfactory to OHCS.

(iii) **Federal Resources Status**: If the Applicant has identified additional federal resources, such as rental or capital assistance from HUD, RD, or the Veteran's Administration (VA) as part of the funding structure, the Applicant must provide evidence satisfactory to OHCS that an application for these resources has been submitted and remains active. For RD this would mean a pre-application Consultation Letter that includes: (i) summary of the contact and (ii) an understanding established to-date as well as (iii) expectations about the next steps in the process.

(iv) **Development Schedule**: Within the development schedule provided, the Applicant must be able to meet the required deadlines for applicable LIHTC, HOME Partnership Investment Program, General Housing Account Program and Oregon Affordable Housing Tax Credit Program or any other funding requested as a part of the application. 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 time frames. These deadlines are published in the appropriate OHCS Program manuals.

(v) **Environmental Site Checklist**: Applicants must have identified or disclosed any adverse environmental or site information indicated on the

Project Site Checklist completed following the OHCS representative visit to the site or otherwise. The deadline for scheduling the site visit will be announced, and the Project Site Checklist published at least 90 days in advance of the deadline for submission of the Application. If you did not contact an OHCS representative before the deadline for Application submission, the Application will be considered non-responsive and will fail Threshold review.

(vi) **Development Team Capacity**: In order to meet the threshold for development team capacity, the Applicants must demonstrate 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 Project have:

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

9% LIHTC – Scoring Selection Criteria

This section applies to 9% LIHTC competitive applications only.

New Construction and Acquisition / Rehabilitation Scoring:

	Scoring topic	Scoring Criteria: New Construction/Acq/Rehab
State Priority	**Either** Permanent Supportive Housing (PSH)	Up to 2 points for including PSH units in the Project (minimum 5 units, incentive up to 25% of total affordable units)
		1 point for having participated in OHCS provided PSH training and technical assistance
		1 point for commitment of supportive tenancy service resources.
		1 point for demonstrated experience in owning PSH affordable housing; (i.e., managing PSH affordable housing; providing services in PSH affordable housing)
	PSH total	**5 points**
	OR Family Sized Units	Up to 3 points for the inclusion of units with 3 or more bedrooms (minimum 5 units, incentive up to 15% of total affordable units)
		Up to 2 points for the inclusion of units with 2 or more bedrooms (minimum 12 units, incentive up to 45% of total affordable units)
	Family Sized Units	**5 points**
	Special Needs Target Populations	Up to 4 points for including targeting of special needs populations (broadly defined) in 10-25% or more of the total affordable units
	Special Needs Target Populations	**4 points**
	Federally Declared Disaster Areas	In consultation with the Oregon Housing Stability Council, up to 5 points may be allocated to Projects located in Federally Declared Disaster Areas that have had a wide-ranging impact on housing supply.
	Federal Disaster Areas	**5 points**
State Priority Total		**14 points**

	Location Need Severity Data	1 point if Severe Rent Burden (spending more than 50% of income on rent) higher than State/region
		1 point if there is a higher percentage of low-income renters than available low-income housing stock available in geography compared to state/region.
		1 point for location in a Qualified Census Tract with a Concerted Revitalization Plan; demonstrated through investment of public resources into capital improvements of residential, commercial, or infrastructure.
		1 point for ratio of Affordable Housing Inventory to 60% Area Median Income Households.
	Location Need Severity	**4 points**
	Location Opportunity & Environmental Factors	
		1 point if Project is not in a USDA food desert
		1 point if Project has access to Parks & Public Space
		1 point if Project is in a census tract where 50% or more of households earned more than 100% of the area median income in the last three consecutive years for which data is available, **and** the poverty rate is less than or equal to 20% during the same period.
		1 point for access to School / Education / Library / Workforce Training
		1 point for Projects in Urban Areas if in a TOD or within half (1/2) mile of fixed transit stop.
		1 point for Projects is in Rural Areas and has access to transit options
		Max of negative two (-2) points for Projects sited in Balance of State – Urban and Rural that are in tracts with greater health risks due to environmental factors compared to the rest of the State, as defined by the Environmental Protection Agency's Environmental Justice Screening and Mapping Tool Max of negative three (-3) points for Projects sited in Metro and Non-Metro HOME PJs that are in tracts with greater health risks due to environmental factors compared to the rest of the State, as defined by the Environmental Protection Agency's Environmental Justice Screening and Mapping Tool

	Location Opportunity & Environmental Factors	**5 points**
	Vulnerable Gentrification Areas	This scoring will compile data considering various aspects of a neighborhood including its income profile, vulnerable people, precarious housing location, housing market activity, and neighborhood demographic change.
		Data Considered for Income: Low Income Households and Household Income
		Data Considered for Vulnerable People: Black, Indigenous, People of Color (BIPOC) / Non-White demographics, limited language proficiency figures, persons with disabilities, female-headed households, individuals 65 years of age and older.
		Data Considered for Precarious Housing: Multifamily Units, and Housing built before the 1970s,
		Data Considered for Housing Market Activity: Median Rent, Rent Change, Median Home Values, Home Value Change
		Data Considered for Neighborhood Demographic Change: Change in BIPOC, change in educational attainment, change in homeownership, change in household income
	Vulnerable Gentrification Area	**8 points**
	Location Related Total	**17 points**
	Affirmative Fair Housing Marketing	1 point in Urban Areas and up to 2 points in Rural Areas for including analysis of underserved population demographics in determining outreach strategies
		1 point for including partnership with local service / referral agencies in reaching underserved populations to build the Project wait list.
		Up to 2 points for using two or more referral and advertising methods.

		Up to 2 points in Urban Areas and 1 point in Rural Areas where referral and outreach organization partner is culturally responsive
		Up to 1 point for implementing low-barrier tenant screening
	Affirmative Fair Housing Marketing	**7 points**
	Resident Services	1 point in Urban Areas and up to 2 points in Rural Areas for comprehensive Resident Services Plan submitted; scaled to needs of the target population
		1 point for incorporating asset building strategies into service delivery; including but not limited to IDA Program and financial planning where appropriate for target population or workforce training and eviction prevention where appropriate
		1 point for funding resident services staff or resources for referral agency
		1 point for including performance tracking and reporting of data
		Up to 3 points in Urban Areas and up to 2 points in Rural Areas where Service provider is culturally responsive
	Resident Services	**7 points**
Partnerships Total		**14 points**
	Rents: Serving Lowest Income - AGMI	Up to 5 points for Rents serving the lowest AMI; scaled
	Serving Lowest Income - AGMI	**5 points**
	Serving Lowest Income - RA	Up to 3 points for having Project based rental assistance; scaled
	Serving Lowest Income - RA	**3 points**
	General IRS Section 42 Requirements	1 point for: Projects intended for **eventual tenant ownership.**
		1 point for: Projects that demonstrate comprehensive deployment of **energy efficiency** beyond the requirements of the Core Development Manual (CDM).

		1 point for: Projects that demonstrates 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.
		1 point for: Projects with supporting documentation from a local Housing Authority confirming that established **commitment to market the unit to their wait list** is in place at the time of the application due date.
	General Federal Preferences	**4 points**
Federal Preferences		**12 points**
	Federal Subsidy Leverage	Up to 2 points: Committed leverage of HOME and/or Community Development Block Grant Funds (CDBG); in Balance of State, Projects with the acceptance of HOME as a gap funding source included in their app with be awarded points. Projects in Participating Jurisdictions that also award Tax Increment Financing (or another OHCS approved place-based economic development fund) that is awarded by Participating Jurisdictions in lieu of HOME for gap funding sources will be eligible for points.
		Up to 2 points: Use of National Housing Trust Funds to fund 30% AMI
	Federal Subsidy Leverage	**4 points**

Cost Effectiveness	Up to 1 point: Total Development Cost, excluding acquisition costs, per bedroom that are in the lowest half of the Applicants in the set-aside or regional pool. Projects competing in the same allocation round region will be grouped together based on building type to determine the average per bedroom total cost per unit basis and tax credit per bedroom (only counting bedrooms in Program assisted units according to the application).	
Cost Effectiveness	**1 point**	
LIHTC Effectiveness	Up to 3 points: Total LIHTC requested per bedroom. Projects competing in the same allocation region or set-aside and building type will be grouped together to determine the average per bedroom total cost per unit basis and tax credit per bedroom (only counting bedrooms in Program assisted units); points will be attributed based on relative LIHTC subsidy per bedroom.	
LIHTC Effectiveness	**3 points**	
Funding Efficiency Total		**8 points**
Financial Viability	Up to 5 points: Development pro forma review a. Pro forma includes only realistic, balanced and available resources on the sources of funding. Capital fundraising campaigns are not considered realistic and available resources. Any inclusion of resources that are unrealistic or unavailable will result in a score of negative five (-5) points in this category. b. Explanation of how the development budget will still be valid at the start of construction. c. Relocation Plan completed if warranted and aligns to development budget. d. Developer Fee is within the OHCS maximum allowable. e. If Uniform Relocation Act (URA) is applicable, the budget line item accurately reflects the Project cost based on the sufficient Relocation Plan. f. If Commercial Real Estate is included in the Project, sources and uses of funding are provided on a separate pro forma page.	

		Up to 5 points: Operating pro forma review: a. Affordable rents at least ten percent (10%) below estimated market rents. b. Debt coverage ratio is a minimum of 1.15:1 for hard amortizing debt or as adequately explained. When utilizing OAHTC funds, the minimum debt coverage ratio is required to be met after the OAHTC pass through is applied. c. Cash flow within OHCS guidelines or adequately explained (1.30 or below, unless adequately explained or declining cash flows require a higher debt coverage). d. Vacancy rate at seven percent (7%) or adequately explained if different. e. Submitted reserves for replacement analysis and include adequate amount for replacement items in pro forma. f. Income inflation factor is less than expenses inflation factor. g. In a mixed-use Project, no commercial income may be used to support the low-income residential Project.
	Financial Viability	**10 points**
	Readiness to Proceed	Up to 2 points: Funding commitment for planned Project funds.
		1 point: If funding commitment is pending (aside from Rural Development); provide explanation of when other sources of funds will be available to the Project if not already committed.
		1 point: Demonstrated ability to begin construction within 12 months.
		1 point: Proposed Project schedule appears adequate and reasonable.
		1 point: Explanation of why Project must be funded now as opposed to future NOFAs.
	Readiness to Proceed	**6 points**
Project Readiness Total		**16 points**

	MWESB Capacity	Up to 4 points: All Applicants will be required to identify strategies, targets, and previous experience utilizing Minority, Women-Owned, Emerging Small Business (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 their efforts to contract with MWESB contractors/subcontractors, using state registry, in their final application prior to the issuance of the Form 8609.
	MWESB Capacity	**4 points**
	Development Team Experience	Up to 2 points: General Partner or Development Consultant with successful LIHTC Projects that have received 8609s within the last 10 years on at least 2 Projects.
		1 point: General Partner with successful LIHTC Projects that have received 8609s within the last 10 years on 3 or more Projects.
		Negative One (-1) point: General Partner that has been removed from a partnership or faced foreclosure proceedings.
	Development Team Experience	**3 points**
	Performance	Up to 2 points: 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. No ongoing compliance issues or remedied compliance issues.
		Up to 3 points: 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.
	Performance	**5 points**

	Development History	Negative 5 points: Prior poor development performance, i.e., development teams that have had documented material changes from Project application that received a funding reservation prior to placed-in-service.
Development Team Capacity Total		**12 points**
Total Points Available	**93 points**	

Preservation Scoring:

This section applies to 9% LIHTC competitive applications only.

	Scoring topic	Scoring Criteria: Preservation
	Expiration date	Up to 20 points for Projects preserving rental subsidies in rural and urban areas due to expire, or have RD mortgages mature, within 36 months from the due date of Application. Applicants must submit supporting evidence that clearly demonstrates the rent assistance expiration within 36 months. Up to 10 points for Projects with expirations, or mortgage maturity, within 60 months.
Risk of Expiration Total		**20 points**
	Vulnerable Tenant Displacement	Up to 5 points, scaled scoring, for the percentage of the Project occupied by vulnerable population (frail elderly, disabled, large families, special needs populations, service dependent) who would face hardships from relocation
	Extremely Low Income	Up to 5 points, scaled scoring, for the percentage of the Project occupied by households earning 30% AMI or less
	Percentage of Rent Assisted Units	Up to 5 points, scaled scoring, for the percentage of the Project with Project based rent assistance
	Tenant Protections	Up to 3 points: If federal rent subsidy expires, change of use requires relocation. Enhanced Vouchers (EVs) issued only for the residents under the Section 8 contract - no EVs for HUD maturing mortgages. Limited vouchers issued for RD prepayments.
	Voucher Utilization	Up to 3 points: High voucher turn back, porting rate or likelihood of relocating more than 20 miles.
Tenant Impact Total		**21 points**
	Severe Rent Burden	Up to 2 points if percent of residents experiencing Severe Rent Burden (paying more than 50% of their income for rent) in a city/county is higher than that of the State.
	Mismatch Housing Stock	1 point if there is a higher percentage of low-income renters than available low-income housing stock in compared state/region.

	Federally Declared Disaster Areas	In consultation with the Oregon Housing Stability Council, up to 5 points may be allocated to Projects located in Federally Declared Disaster Areas that have had a wide-ranging impact on housing supply.
Location Need Severity		**8 points**
	Resident Services	Up to 1 point in Urban Areas and 2 points in Rural Areas: Comprehensive Resident Services Plan submitted, i.e., the plan is scaled to the needs of the target population
		1 point: Includes resident surveys for ongoing monitoring of needs
		1 point: Includes funded resident service staff or resources for referral agency
		1 point: Includes performance tracking and reporting of data
		Up to 3 points in Urban Areas and 2 points in Rural Areas: Service provider is culturally responsive
Partnerships		**7 points**
	Serving Lowest Income	Up to 5 points for Average Gross Median Income of tenants; scaled scoring
	General: Tenant Ownership	1 point: Intended for **eventual tenant ownership.**
	General: Energy Efficiency	1 point: Projects that demonstrate comprehensive deployment of **energy efficiency** beyond the elements required by the Core Development Manual (CDM).
	General: Historic Investments	1 point: Projects that 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.

	General: Marketing to Public Housing	1 point: Projects with supporting documentation from a local Housing Authority that establish a **commitment to market the unit to their wait list** is in place at the time of the Application due date.
Federal Preferences		**9 points**
	Federal Subsidy Leverage	Up to 2 points: Committed leverage of HOME and/or Community Development Block Grant (CDBG) Funds; in Balance of State, Projects with the acceptance of HOME as gap funding source included in application will qualify for point; this also includes Projects in Participating Jurisdictions that are awarded Tax Increment Financing (or another OHCS approved place-based economic development fund) by Participating Jurisdictions in lieu of HOME for gap funding sources.
	Federal Subsidy Leverage	Up to 2 points: Use of National Housing Trust Funds to fund 30% AMI; or the addition of new federal rent assisted units
	Cost Effectiveness	Up to 1 point: Total Development Cost, excluding acquisition costs, per bedroom that is in the lowest half of the Applicants in the set-aside or regional pool. Projects competing in the same allocation region will be grouped together based on building type to determine the average per bedroom total cost per unit basis and tax credit per bedroom (only counting bedrooms in Program assisted units.).
	LIHTC Effectiveness	Up to 3 points: Total LIHTC requested per bedroom. Projects competing in the same allocation region or set-aside and building type will be grouped together to determine the average per bedroom total cost per unit basis and tax credit per bedroom (only counting bedrooms in Program assisted units); points will be attributed based on relative LIHTC subsidy per bedroom.
Funding Efficiency Total		**8 points**

	Financial Viability	Up to 5 points: Development pro forma review: a. Pro forma includes only realistic, balanced, and available resources in the Sources of Funding. Capital fundraising campaigns are not considered realistic and available resources. Any inclusion of resources that are unrealistic or unavailable will result in a score of Negative five (-5) points for this category. b. Explanation of how the development budget will still be valid at the start of construction. c. Relocation Plan completed, if warranted, and aligns to development budget. d. Developer Fee is within the OHCS maximum allowable. e. If Uniform Relocation Act (URA) is applicable, the budget line item accurately reflects the Project cost based on the sufficient Relocation Plan. f. If Commercial Real Estate is included in the Project, sources and uses are provided on a separate pro forma page.
		Up to 5 points: Operating pro forma review: a. Affordable rents at least ten percent (10%) below estimated market rents. b. Debt coverage ratio is a minimum of 1.15:1 for hard amortizing debt, or as adequately explained. When utilizing OAHTC funds, the minimum debt coverage ratio is required to be met after the OAHTC pass through is applied. c. Cash flow within OHCS guidelines or adequately explained (1.30 or below, unless adequately explained or declining cash flows require a higher debt coverage). d. Vacancy rate at seven percent (7%) or adequately explained if different. e. Submitted reserves for replacement analysis and included adequate amount for replacement items in pro forma. f. Income inflation factor is less than expenses inflation factor. g. In a mixed-use Project, no commercial income may be

		used to support the low-income portion of the residential portion of the Project.
	Readiness to Proceed	Up to 2 points: Funding commitment for planned Project funds.
		1 point: If funding commitment is pending (aside from Rural Development); explanation of when other sources of funds will be available to the Project if not already committed.
		1 point: Demonstrated ability to begin construction within 12 months.
		1 point: Proposed Project schedule appears adequate and reasonable.
		1 point: Explanation of why Project must be funded now as opposed to future NOFAs.
Project Readiness Total		**16 points**
	MWESB Capacity	Up to 4 points, scaled: Plans to engage MWESB. all Applicants will be required to identify strategies, targets, and previous experience utilizing 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 their efforts to contract with MWESB contractors/subcontractors, using state registry, in their final application prior to the issuance of the Form 8609.
	Development Team Experience	Up to 3 points: General Partner or Development Consultant with successful LIHTC Projects that have received 8609s within the last 10 years on 1-2 Projects.
		Up to 2 additional points: General Partner with successful LIHTC Projects that have received 8609s within the last 10 years on 3 or more Projects.
		Negative 1 point: General Partner that has been removed from a partnership or faced foreclosure proceedings.

	Performance	Up to 2 points: 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.
		Up to 3 points: 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.
Development Team Capacity Total		**14 points**
	Development History	Negative 5 points: Prior poor development performance, i.e., development teams that have had documented material changes from Project application that received a funding reservation prior to placed-in-service.
Total Points Available		**103 points**

LIHTC Requirements and Processes

LIHTC Reservation

(i) **Requirements for Reservation**: 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.

(ii) **Reservation Period**: If the Applicant does not satisfactorily complete the conditions of the LIHTC Reservation Letter and/or the Carryover Allocation Agreement, OHCS may rescind the LIHTC Reservation for the Project. OHCS may reallocate any 9% LIHTCs returned or recinded. 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.

(iii) **No Representation or Warranty**: Issuance of an 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.

(iv) **Determination of LIHTC Allocation Authority Year**: When making a Reservation of LIHTC, OHCS reserves the right to make an allocation of a future year's credit ceiling (Forward Allocation). Such Allocation(s) may be full or partial for the Project(s). The applicable QAP will be the plan in place for the earliest funding cycle in which an award of funds is received.

Carryover Allocation Requirements

9% LIHTC Carryover Allocation Agreement: 9% LIHTC Applicants, on or before November 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 the Project has been placed-in-service. All LIHTC Carryover Allocations will be made on a per Project basis. The LIHTC amount that qualifies for a Reservation to any Project is the lump sum amount of 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.

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 by 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.

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

(i) **Request Process**: Once an Applicant has received a Reservation of LIHTCs, the Applicant has the responsibility to complete the Project by the timelines identified in IRC Section 42 and as outlined in the QAP. OHCS reserves the authority to exchange an Allocation of Credits from one (1) year for the same amount of Credits in a subsequent credit year. Applicants must demonstrate good cause to return their Reservation to OHCS, and as such the Applicant has a one (1) time option to return its allocation to OHCS, as follows:

No later than March 31 of the year following the Reservation of LIHTCs, an Applicant may request to return its allocation and exchange it for an award of the same amount of credits from the next credit year as the amount returned.

For example, a 2022 awarded Project that receives a forward reservation of 2023 tax credits can exchange those credits, if requested by March 31, 2023, to receive an allocation of 2024 credits. This is necessary if the Project will not be placed in service by December 31, 2023 but instead will be placed in service by the end of 2024.

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

Considerations

Reservation of Rights

(i) Project/Request Denial. OHCS, in its sole discretion, may reject an Application where the Applicant, Owner, Principal, or other Participant with respect to the proposed Project, previously has done any of the following:

a. Failed to complete a Project 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 was notified of such failure to meet appropriate utilization in advance of request or 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 under indictment 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 OHCS's 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 Applicants for any Project as part of the Application, Reservation or Allocation processes.

Documentation of Discretion

OHCS may, at its sole discretion, award credits in a manner not in accordance with the requirements of the QAP. If any provision of this QAP (or documents incorporated herein by reference) is inconsistent with any provisions (current or as amended) of IRC Section 42, corresponding Treasury Regulations, and applicable IRS guidance, or any existing State Laws or State Administrative Rules governing the LIHTC Program, the provisions of IRC Section 42, corresponding Treasury Regulations, and applicable IRS guidance, State Laws or State Administrative Rules take precedence over the QAP.

Policy on Exceptions/Waiver Requests

All OHCS policies, other than those mandated by Section 42 of the Code, are considered as guidelines and may be waived by OHCS at its sole discretion. 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.

Applicants, lenders, or syndicators must submit any request for a waiver or exception to a policy in writing with a full justification at least 30 days prior to the construction/equity closing date for Applications. Furthermore, OHCS reserves the right to waive any provision or requirement of the QAP that is not stipulated in Section 42 of the Code 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 any obligation on the part of a Project, person or entity to comply with the provisions of this Plan or other Program Requirements, or establish a precedent for any other Project, person or entity. In any event, no waiver, modification, or change of a requirement set forth in an OHCS Program Manual, or of any other Program Requirement will be binding upon OHCS unless set forth in writing, signed by an authorized agent of OHCS, and consistent with law.

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 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 the provision was held invalid or unenforceable, shall not be affected. Each provision of the Plan shall be valid and enforceable to the fullest extent permitted under State or federal law.

Disclaimer

Issuance of a LIHTC reservation pursuant to a Reservation and Extended Use Agreement, a LIHTC Carryover Allocation (Carryover) or a placed in service allocation as indicated by OHCS or the IRS Form 8609, 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 Code and corresponding Treasury Regulations governing the LIHTC Program, and Applicants are responsible for the determination of a Project’s eligibility and compliance. If statements in this QAP are in conflict with Section 42 of the Code and corresponding Treasury Regulations, the Code and such regulations shall take precedence. While this QAP and the applicable NOFAs govern OHCS's process of allocating LIHTC, Applicants may not rely upon this QAP as an interpretation of IRS Code requirements.

No executive, employee or agent of OHCS, or of any other agency of the State, or any official of the State, including the Governor, shall be personally liable concerning any matters arising out of, or in relation to, the allocation of the State's LIHTC allocation, 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.

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, affirmatively 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 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.

Remedies

In the event of any failure to adhere to the terms of this Plan or any Program Requirements, including as described above in the Violations section, 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 direct, indirect, consequential, 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 restrictive covenants or equitable servitudes with respect to the Project or any part thereof.

No Third-Party Liability: 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.

Effective Date

This Qualified Allocation Plan shall be effective upon its approval and execution by the Governor and shall remain in effect indefinitely or until modified or terminated.

Appendix

Appendix: Underwriting Criteria

Appendix 1 – Underwriting Standards

Program Limits:

OHCS has established the following Program Limits for evaluating Projects. The Applicant should demonstrate in the Application compliance with all of 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.

i. 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.

ii. Maximum Developer Fees

OHCS will consider a Maximum Developer Fee, 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.

The table below sets forth the maximum Developer Fees allowed under the LIHTC Program Limits.

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

Project Size	9% LIHTC New Construction	9% LIHTC Acquisition/ Rehab	4% LIHTC New Construction	4% LIHTC 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, as represented by a percentage calculated as described above, 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. If the developer fee will exceed the amount in the application, it must be due to justifiable increases in the scope of work and the developer fee must still be within OHCS's approved applicable maximum for the Project. The fee presented in the Placed-in-Service documentation may not exceed the total percentage (including deferred and cash payments) allowable in the chart above.

For any cost to be included in tax credit basis, the cost must be an eligible cost and in the case of deferred developer fees, the 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 projected annually in the pro forma, the portion not projected to be repayable will be removed from eligible basis.

iii. 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 Project's revenue or costs are reasonable. OHCS will review this documentation against its portfolio and take into consideration input from lenders and investors.

iv. 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 not to exceed ten percent (10%) of total rehabilitation/construction costs plus site work costs. All others will be limited to a combined profit, general conditions and overhead amount of up to fourteen percent (14%) of total rehabilitation/construction costs plus site work costs.

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.

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 Project costs and the intended uses of such funds. The Sources and Uses 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 identified as unknown. If any sources or uses are identified as unknown at the time of review, the Application may be deemed incomplete and removed from further processing.

Below are the LIHTC program pro forma required financial assumptions:

Acquisition cost must be supported by an appraisal	
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) months 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 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. The owners and management agent of the commercial areas;
d. A twenty (20) year operating pro forma for both the residential and commercial areas; and
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 unit properly scaled to the size and scope of the improvements, the cost of local utilities and taxes and the makeup of the 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 lender conditions.
d. Operating Reserves are generally six (6) months of operating expenses or lender / investor conditions.

While OHCS will use certain 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 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. 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 amortizing debt as one of the sources of funds. If there is hard amortizing 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.

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 have:

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 the 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 with no extensions or minimal carryovers.

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 the time of Application submission.

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 and demonstrating that the firm has 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 initial implementation of, and any changes of 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 the 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.

Financial Capacity:

As disclosed in the Application or other required information, the Applicant's financial condition must not contain any adverse conditions that might materially impair the Applicant's ability to perform its financial obligations during the construction or stabilization of the Project.

OHCS Sole Discretion

OHCS reserves the right to determine at application, reservation and/or at any point during the underwriting process and at 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.

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 was notified of such failure to meet appropriate utilization in advance of the request or 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 OHCS's 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 Applicants for any Project as part of the Application, Reservation or Allocation processes.

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 that 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).

Take such other action as it deems appropriate.

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

Appendix 2 – Public Comment

QAP Public Comment		
From	**Organization**	**Date**
Thom Amdur	Lincoln Avenue Capital	11/10/2022
Jill Chen	Portland Housing Bureau	11/13/2022
Rob Prasch	Network for Oregon Affordable Housing	11/13/2022
Kurt Creager	BRIDGE Housing	11/13/2022
Jonathan Trutt	Home Forward	11/14/2022

November 10, 2022 (Public Comment Hearing)

QAP Public Comment		
From	**Organization**	**Date**
Rob Prash	Network for Oregon Affordable Housing	11/10/2022

Copy of the written comments start on next page.

Appendix 3 – OHCS Public Comment Responses

Located after the written public comment.

LINCOLN AVENUE CAPITAL

November 10, 2022

Natasha Detweiler-Daby
Oregon Housing and Community Services
North Mall Office Building
725 Summer Street NE, Suite B
Salem OR 97301-1266

Dear Ms. Detweiler-Daby:

Thank you for the opportunity to contribute feedback on the Preliminary Draft of the Oregon Housing and Community Services (OHCS) Draft 2023 Qualified Allocation Plan (QAP) [version 10/31/2022]. Lincoln Avenue Capital is a mission-driven affordable housing developer currently active in twenty-two states. In Oregon, we are focused on developing ground-up new construction and preservation using 4 percent LIHTCs and Tax-Exempt Bonds (TEBs).

Market Context

As affordable housing developers, the biggest challenge we face today is inflation and the escalating cost environment. The combination of rapidly rising land costs, building acquisition costs, construction materials costs and labor costs is a significant barrier to financing and delivering quality affordable housing communities to the market. While increases in construction costs have been well documented, we are experiencing cost inflation in many other critical areas affecting development proformas. Over the past 12 months we have experienced:

- 42.7% increase in property casualty insurance premiums
- 31.8% increase in property management payroll
- 61.2% increase in contract services costs
- 54.2% increase in general & administrative (G&A) expenses
- 59.9% increase in turnover related expenses
- 63.7% increase in owner-paid utilities
- ~50%+ YOY increase in projected development costs for projects around the country

At the same time, rising interest rates have reduced the debt proceeds we are able to leverage to offset these rising costs.[1] 4 percent LIHTC transactions are financed primarily with tax-exempt debt, making up approximately 70 percent of the capital stack, so the impact of even small increases in interest rates is magnified significantly for these transactions. We believe the current market dynamics are important to share as they provide context and urgency for many of our recommendations below.

[1] Our industry has benefited in recent years from historically low interest rates; however, as monetary policy has shifted, we believe there is an added sense of urgency to take additional action. Since the beginning of the year, the yield on the 10-year Treasury has tripled, increasing from 1.5% to as high as 4.23% on October 24, 2022. Given the latest inflation reports (8.2% in September) and the signaling from the Federal Reserve, we anticipate rates to continue to rise in the coming year.

4% LIHTC Award Order and Eligibility

Pg. 10, Lines 18+

While we appreciate that the public housing portfolio in Oregon has significant capital needs and should receive consideration in the QAP, we suggest that housing authority-owned projects should not receive the highest priority in the award order. We believe that the QAP should be neutral as to the incorporation status of the ownership of affordable housing, be it for-profit, non-profit, or PHA. We suggest that if this distinction is eliminated, PHAs will still compete very favorably given their connection with local government and their ability to leverage local and federal funds. This will also allow culturally specific and MWESB organizations to compete on more equal footing.

We further suggest that additional consideration be given to developments "without other subsidy." We believe that it is important that OHCS consider leverage in its evaluation of projects in so much as it allows the agency to stretch its limited federal housing resources further. Indeed, given the current cost environment, it is likely that most if not all TEB projects that submit in the competitive round will require some degree of soft financing to be financially viable. However, we believe that applications that meet the programmatic and mission requirements in the QAP without utilizing OHCS or other soft funds should be rewarded as it will potentially allow OHCS or other funders to support additional projects or provide deeper subsidy to priority projects in exchange for other community benefits like deeper income targeting or servicing markets that might not otherwise be able to be served. We suggest that OHCS consider creating a set-aside for projects that do not require "significant local funds, OHCS and/or federal funding."

With respect to Award Order 2, we suggest that the category be broadened to include philanthropic loans or grants in addition to local jurisdictional gap subsidy sources. We further ask OHCS to define in more detail "federal funding" as it relates to the Award Order 3 ranking. Does federal funding include project based rental assistance and/or project-based vouchers? If so, what percentage of the units must be covered to qualify? Does permanent financing from the Federal Housing Administration, USDA Rural Housing Services and/or Department of Transportation TIFIA program qualify? Is there a minimum dollar amount or percentage of projects sources necessary to qualify?

Minimum Thresholds for Applications – 4% and 9% LIHTCS – (i) Long Term Affordability

Pg. 21, Lines 10-14.

Lincoln Avenue Capital is committed to long-term affordability as part of our mission. We appreciate and support that long-term affordability is a threshold requirement in the draft QAP. We believe it is appropriate to extend the affordability requirement for 4% LIHTC projects from the current minimum 15-year extended use requirement but suggest that adding an additional 10 years of affordability (40 years total) is a more appropriate threshold. As OHCS knows, all real estate assets require recapitalization as they age. A 40-year-old asset would be fully depreciated and requiring extensive recapitalization (if it is not required sooner). Given that eligibility for most preservation resources (volume, soft funds, etc.) are triggered by the expiration of affordability we think it is appropriate to have alignment of affordability expiration with building useful life or barring that a commitment by the agency that older assets will be eligible for preservation resources.

Minimum Thresholds for Applications – 4% and 9% LIHTCS – (iii) Waiver of Qualified Contract

Pg. 21, Lines 30-35

We support the proposed changes regarding the waiver of qualified contract for 4% LIHTC transactions. We recommend OHCS retain the ability, at its sole discretion, to allow a qualified contracts if OHCS deems it is in the best interest of the property. This would probably only be the result of a financial distress brought on by dramatic changes in market conditions and to avoid a foreclosure that would otherwise eliminate affordability.

Cost Savings Clause / Maximum Contractor's Profit and Overhead

Pg. 28, Lines 15-17; Pg. 61

We believe the cost savings clause that forbids construction contracts from having "provisions for cost savings that are to be retained by the general contract or split with the project applicant" does not align incentives to encourage cost efficiency. The development and construction teams should be encouraged to bid projects as accurately as possible, as well as find efficiency savings on the rare occasions that they arise. This is especially the case given that as compared to it peer agency, OHCS allows for lower construction contingencies and lower maximum contractor's profit and overhead (when the contractor is a related party) (pg. 61.) Note, Lincoln Avenue Capital does not have an affiliated general contractor and exclusively uses third party GCs.

Maximum Developer Fees

Pg. 60

We appreciate that OHCS has a bifurcated developer fee structure that considers a separate fee structure for 9% transactions and 4% transactions, as well as the overall size of the transaction and the construction type. We think it is important to have a nuanced developer policy that appropriately differentiates project types and characteristics and acknowledges the variable risk profile of diverse types of affordable housing projects.

Factoring in today's unprecedented inflationary and construction cost environment as well as the competitive market conditions for the acquisition of preservation assets and developable land, we recommend OHCS consider additional enhancements to its developer fee methodology. The developer fee policy proposals that we are advocating for in the following paragraphs are intended to generate additional eligible basis for financially stressed bond projects, while considering the competitive nature of the acquisition marketplace (whether financed with 9% and 4% tax credits) and balancing the varying risk profiles of diverse types of affordable housing transactions.

From a practical perspective, increasing developer fees in a rising cost environment, as we are experiencing today, generates additional eligible basis and additional tax credit equity. This can be particularly impactful on tax-exempt bond transactions where the 4% LIHTCs are capped by eligible basis rather than an annual state ceiling. We defer a substantial portion of our developer fees to fill project gaps. Increasing developer fees in a rising cost environment effectively creates additional construction contingency, which is much drawn on today as construction costs skyrocket.

We believe that a 14-16% developer fee for larger new construction bond-financed projects is low, as compared to your peer state housing finance agencies[2]. We suggest that the minimum developer fee for bond financed transactions should be 18%, allowing for additional increases for smaller transactions, as currently outlined in the QAP. This will acknowledge the changing risk profile of developing affordable housing in today's environment.

We also observe that OHCS has the ability to stabilize funded 9 percent LIHTC projects that have rising costs by allowing the applicant to apply for supplemental allocations of LIHTC to fill project gaps under exigent circumstances. Given that this option is not available to 4 percent transactions, we recommend OHCS consider further modifications to its developer fee structure to generate additional eligible basis for financially stressed bond transactions as an alternative strategy. Arizona's Department of Housing recently amended its QAP to allow for an additional 5% "hardship developer fee" above its posted fee limits of 19% for bond financed transactions. We recommend OHCS incorporate the concept of a hardship developer fee for applicants that can demonstrate they have exhausted all available resources (i.e., exhausted development contingency, reasonable value engineering, etc..) and can demonstrate that the additional deferred development fee can be repaid through project cash flow within 15 years.[3]

Maximizing developer fees, within the constraints of the tax law, regulation, and reasonable underwriting, is a proven and successful method of generating additional LIHTC eligible basis, and in turn, equity proceeds which help fill project gaps and/or reduce the need to obtain other state resources.

For additional context, we believe it is important to acknowledge the role developer fees play in affordable housing transactions as well when you consider the appropriate fee setting mechanism. The IRS permits the inclusion of developer fees in eligible basis because these fees serve as the primary form of compensation for LIHTC developers. They pay for overhead of essential functions, including accounting, human resources, information technology, asset management, insurance and legal fees and many others. Developer fees also serve as the primary form of reimbursement for pre-development costs and resident services.

Reserve for Replacement (Capitalized)

Pg. 63

We appreciate that it is necessary and appropriate to have project reserves for replacement (RFR) requirements. We also observe that the needs of individual projects vary based on design, building materials, tenancy, location, financing type and other factors. Likewise, the capacity of sponsors and

[2] QAPs in Arizona, Kentucky, Ohio, Oklahoma and Tennessee have developer fees ranging from 18-25% for 4% LIHTC transactions

[3] See pg. 32, Arizona Department of Housing 2022 and 2023 Qualified Allocation Plan (October Update) https://housing.az.gov/sites/default/files/documents/files/Final-QAP-2022-2023.pdf

their respective balance sheets also can vary significantly. These factors are all considered by the primary lender and syndicator and are subsequently considered in setting market RFR requirements. In some cases, the RFR requirements will be lower than those posted in the QAP and in other cases, higher. We recommend that OHCS create a path to allow for a waiver process from its stated minimum guidelines, at its discretion and on a on a case-by-case basis if the permanent lender specifies a lower RFR amount.

Conclusion

Lincoln Avenue Capital appreciates the work of OHCS in the issuance of its draft 2023 QAP. We welcome the opportunity to discuss them with you further at your leisure and/or answer any questions you may have regarding our feedback. I can be reached at 860-287-1635 or tamdur@lincolnavecap.com.

Regards,

Thom Amdur
Senior Vice President, Policy & Impact

cc: Caleb Yant
Roberto Franco
Tai Dunson-Strane

About Lincoln Avenue Capital

Lincoln Avenue Capital is one of the nation's fastest-growing developers, investors, and operators of affordable and workforce housing, providing high-quality, sustainable homes for lower- and moderate-income individuals, seniors, and families nationwide. LAC is a mission-driven organization that serves residents across 22 states, with a portfolio of 112 properties comprising 21,000+ units.

Portland Housing Bureau Comments on 2022 QAP

Issue	Page, Line	Comments & Feedback
Allocation Set Aside	P10, L13	65% PAB allocated to Portland Metro. However, Housing Authorities have first priority and can issue PABs as they see fit. This sets up an inherent conflict between largest Housing Authorities in the state and the largest municipalities in the state. In addition, this creates a conflict between county Housing Authorities who may want to use PABs for acquisition/rehab vs. city agencies who may need to use PABs for other priorities such as use of time sensitive Bonds, federal funds, etc. ***Will OHCS consider the 65% allocation AFTER Housing Authorities have already indicated how much PAB they will take off-the-top?***
Project Performance – “readiness to proceed benchmarks”	P16, L16	Readiness to Proceed criteria automatically penalizes smaller, nonprofit developers that are more likely the BIPOC community. These smaller nonprofits may not have the funds to pay for predevelopment costs especially given inflationary pressure expanding funding gaps beyond their balance sheets.
Set Aside Category	p18, L34	Metro PJs have historically demonstrated a need above the current PAB set aside of 65%. Therefore to have the Tribal Set Aside of 10% be directed to the Non-Metro PJ instead of the statewide pool seem inherently inequitable (and counter to historic need) give the significant usage needed in the Metro PJ.
Re-evaluation of Reservation	P19, L23	Failure to close within two hundred forty (240 days of the Reservation 24 (“Reservation Period”) may result in the re-evaluation of a PAB reservation. It should be noted that Portland projects takes approximately one year from initial concept to permitting and most developers will not significantly advance design/development without knowing if PABs will be granted. Furthermore, predevelopment loans may not be granted if there is no surety that PABs and 4% LIHTC will be available to close transactions within the time frame required. ***Can OHCS allow an exception for Portland Metro projects to have a 360 day window instead?***

Network for Oregon Affordable Housing

Memorandum

November 13, 2022

To: HCS.QAP@oregon.gov

CC: Angela Parada

From: Rob Prasch, NOAH

RE: Comments on draft 2022 Qualified Allocation Plan

Please accept these comments regarding the draft 2022 Qualified Allocation Plan.

Minimum Thresholds for Application – 4% and 9% LIHTC
(1) Long Term Affordability, page 21

(i) **Long Term Affordability**: All ~~competitively~~ awarded 9% LIHTC and 4% LIHTC projects ~~housing tax credit Projects~~ must remain affordable for 60 years unless paired with another OHCS resources requiring a term not less than 30 years. ~~and 4% LIHTC housing tax credit Projects must remain affordable for 30 years.~~

I find this proposed change poorly worded, and its meaning unclear. What is meant by "not less than 30 years"? Which OHCS resources would those be? If I am interpreting this correctly, the new policy would exclude projects paired with another OHCS resource requiring a term of 30 years from the 60-year affordability term?

The LIFT program only requires 30-year affordability and projects often utilize 4% credits. LIFT projects already receive significant public investment from the state and often leverage private activity bonds and tax credits. The state is purchasing affordability with those investments. Why limit the LIHTC use restrictions on a LIFT project to 30 years when you can secure affordability for 60 years or more?

I strongly support the proposed 60-year affordability term but recommend the Department go further.

99-year affordability terms have been adopted by many cities and states across the county, and a few states require permanent affordability. Studies have shown that extending affordability terms to at least 99 years has little or no impact on demand or production, while providing greater public benefit for those public investments. In 2012 when OHCS extended the affordability term to 60-years on 9% LIHTC some expressed concern the new policy would affect demand. It did not.

That's because developers realize most of their return shortly after completion of construction when the project is placed in service. Typically, after the initial 15 year compliance period, most limited partners exit. Longer affordability terms don't generally impact investor decisions because of the discount rate used to project the future value of cashflows relative to a present day investment. For example, using a 10 percent discount rate, the value of $100 falls to $35 by year 10. $100 today would be worth $4.24 at year 30. At 55 years, the value drops to around 30 cents.* This suggests longer term use restrictions are not a significant factor in investor decisions.

Because they reduce future speculation, long affordability terms are among the most effective preservation strategies. Today's typical preservation transactions usually requires investment of public funds for both the acquisition and rehabilitation of properties approaching the end of their restrictive use period. By eliminating the acquisition cost at year 30, public funds can be utilized more efficiently to keep a property in service longer. A recent example of an OHCS funded preservation transaction illustrates this point. In October 2022 the Housing Stability Council awarded $20 million under the PuSH NOFA toward the $51 million acquisition cost of Orchard Park Apartments, a 30-year old former LIHTC property in Salem. Orchard Park will require significant rehab using addition public investments from yet to be determined sources. Longer term affordability, 99-year or permanent, would eliminate the acquisition costs from future preservation transactions.

Preservation Projects Set-Aside, Page 13
Defined as either:
A. Projects with at least twenty-five percent (25%) of the residential units have federal Project-based rent subsidies
B. AND (ii) one of the following is applicable:

- the HUD Section 8 contract is expiring or
- the USDA Rural Development (RD) loan is maturing within 7 years, or
- RD restrictive use covenants have expired and the Project is eligible to prepay its RD direct mortgage;

I recommend striking the statement that the Project be eligible to prepay its RD direct mortgage. This requirement eliminates some important preservation projects from consideration, including RD farm labor projects which by statute, are not allowed to prepay. Eliminating RD farm labor projects from accessing tax credits available under the preservation set aside presents a barrier for project sponsors, including some culturally specific organizations and service providers. The requirement that the project be eligible to prepay their RD mortgage also eliminates most RD 515 projects developed after 1989 from accessing the set aside.

9% LIHTCs/Notice of Funding Availability (NOFA) Ranks and Tie Breaking, page 18

In 2019 the Department established a new 10% Tribal Housing set aside and reduced the Preservation set aside from 35% to 25%. In response to concerns raised by preservation focused developers, the Department adopted the policy of directing any unused funds from the Tribal set aside, should there be any, to the preservation set aside. Given the high demand for preservation resources, I recommend maintaining the existing policy.

Thank you for the opportunity to review and comment on the 2022 proposed QAP.

Respectfully submitted,

Rob Prasch, Preservation Director
Network for Oregon Affordable Housing

*See "Increasing the Duration of Affordability Requirements for New Affordable Housing", Shane Philips, UCLA Lewis Center for Regional Policy Studies

BRIDGE Housing

BUILDING SUSTAINING LEADING

BRIDGE HOUSING CORPORATION

BRIDGE PROPERTY MANAGEMENT COMPANY

BRIDGE ECONOMIC DEVELOPMENT CORPORATION

13 November 2022

Angela Parada, Senior Tax Credit Program Manager
Oregon Housing & Community Services
725 Sumner Street NE STE. B
Salem, Oregon 97301

Submitted Electronically to HCS.QAP@hcs.oregon.gov

RE: 2022 Updated Qualified Allocation Plan

Dear Angela; I am writing to encourage an amendment to the Qualified Allocation Plan revisions dated October 31, 2022. Specifically, I respectfully request that the 25% seaside for 9% LIHTCs be broadened to include properties with expiring use restrictions for all Section 42 Buildings being preserved by Qualified Non-Profits, at immediate risk of mark to market, not just projects with expiring Housing Assistance Payment (HAP) contracts, properties with Rural Development Administration (RD) loans maturing within seven (7) years or Public Housing undergoing a preservation transaction (Rental Assistance Demonstration or RAD) involving a comprehensive recapitalization.

BRIDGE Housing is a Qualified 501 C (3) Non-Profit established in 1983. Over the last 39 years we have developed approximately 20,000 housing units in three states, including Oregon. In 2021, BRIDGE Housing acquired and then committed to extend the affordability of Belleau Woods Apartments in unincorporated Washington County, Oregon for a period of one (1) year. The property is currently governed by an extended regulatory agreement for the calendar year 2022. If the property is admitted into the Publicly Supported Preservation Housing (PuSH) preservation pool, then we will have a window of three years to accumulate the funding necessary to recapitalize the project and maintain it as affordable for the next sixty (60) years. Without the value associated with a 9% LIHTC execution in 2023 or 2024, it is apparent that Belleau Woods may not be able to be preserved as we had originally intended. That is because the likelihood of achieving a Preservation Pool allocation sufficiently large to enable the property to be preserved, especially under the current scoring criteria, is a remote possibility.

Without State resources, we won't likely be able to justify placing Belleau Woods under a new long-term affordability agreement. We need a path forward for funding the rehabilitation needed (building envelope, windows, ADA modifications) to adequately preserve the Belleau Woods property. It would be a terrible lost opportunity if the property were placed back into the open market as it has served Beaverton-area families in need of larger units for thirty years. This suggested very narrow amendment to the 2022 QAP, while not a guarantee of funding, at least would provide a path forward for funding (twice in the next three years). I don't believe very many 501 C (3) Non-profits own properties at immediate risk of mark to market in Oregon, so the universe of applicable properties is narrow.

I appreciate your consideration of this request as it may be the best way to preserve Belleau Woods. This policy change doesn't require new resources or a direct appropriation over and above your current budget authority.

Please do not hesitate to contact me or Joni Hartmann if you have any questions or comments about this request or Belleau Woods.

Sincerely;

Kurt Creager, Executive Vice President

Natasha Detwiler, Assistant Director OHCS
Joni Hartmann, Senior Project Manager, BRIDGE Housing

homeforward

November 14, 2022

Oregon Housing and Community Services
Attn: Angela Parada
725 Summer Street NE, Suite B
Salem, OR 97301-1266

Re: Comments on Proposed Revisions to the 2022 QAP

Dear Ms. Parada:

Thank you for the opportunity to comment on the Proposed Revisions to the 2022 QAP. Home Forward appreciates how this comment process has shaped previous QAPs. Home Forward further appreciates the time and effort OHCS has made to continually adapt the QAP to our ever-changing funding environment. Our comments below are offered in that spirit.

p. 16 Two Week Change in Closing Timeline

Home Forward applauds OHCS's efforts to increase accountability for meeting schedules. However, Home Forward believes that this "two-week" metric is

1) *Too strict a requirement*.
Projects routinely experience changes in their closing schedule—changes which are completely unrelated to a developer's diligence and project management skills—that exceed two weeks. Vis-a-vis the timeline shown in a 4% pre-application, projects should be able to adjust their closing date by eight weeks without losing their spot in the queue.

2) *Focuses too much on the very end of a multi-year process*.
Whether or not a project stays on its initial schedule depends on whether developers establish sensible timelines for critical path items and manage those timelines effectively. The best way to achieve schedule accountability is to add those critical path items, and associated key milestones, to the standard OHCS Schedule. These milestones should be items under the sponsor's control such as (a) submission of materials to complete entitlements (b) building permit submission and (c) selection of debt and equity providers. Sponsors should have to meet each of these milestones (with a grace period of up to six weeks for each milestone) if they want to maintain their place in the 4% LIHTC queue.

p. 16 Annual Application Process

An annual application process, in conjunction with the singular focus on the closing date discussed above, will create unnecessary stoppages in the 4% LIHTC pipeline. For example, Project A receives a spot in the 2023 4% LIHTC closing queue and has a scheduled closing date of 11/15/23. By 3/15/23, it may be obvious that the project will not meet its 11/15/23 closing projection. Project B, not in the annual queue, may be well situated to assume the place of Project A. Under what mechanism could that happen?

To keep as many projects moving through the pipeline as quickly as possible, OHCS should (a) adopt schedule metrics other than closing dates that create schedule accountability (see above) and (b) publish an ordered wait list of initially unsuccessful 4% LIHTC applicants. OHCS should update the waitlist monthly to account for any projects that have dropped out of the queue for failing to meet scheduling milestones (including applicable grace periods.)

p.17 Construction Financing Closing

The requirement listed here—"must close…by the date listed on the intake application"—is inconsistent with the two-week change allowed on the previous page. As previously discussed, sponsors should be allowed to change their closing date by up to two months.

p. 20 Failure to Close Within 240 Days of Reservation

This is a very aggressive timeline for closing. The metric should be a closing schedule that ensures the project will meet Carryover and/or Placed in Service requirements. The addition of scheduling milestones for critical path items discussed above– applications for entitlements and permit application, selection of financing partners—would enable OHCS to effectively monitor progress towards closing.

p. 21 Long-Term Affordability

All projects receiving LIHTCs should be held to 60 year affordability terms.

p. 23 Quarterly MWESB Reporting

Sponsors should be asked to provide information at a project's halfway point and its completion. This "twice per project" will reduce the reporting workload for both OHCS and sponsors' staff, while still providing OHCS with timely data on MWESB outcomes.

Additionally, OHCS should strive to make Procorem's MWESB reporting format identical to reports already being generated for other funders--e.g. the City of Portland and/or Metro Local Implementation Partners.

p. 27 Project Changes to Total Project Costs and Financing Sources

Because "materiality" in the context of project budgets is undefined, as currently drafted, sponsors need to provide OHCS written notification of <u>any</u> change in Total Project Costs or Debt and Equity. The figures are constantly in flux. The better way to keep OHCS informed of changes to these items is via quarterly proforma updates.

p. 34 Development Schedule

Whether or not a project stays on its initial schedule depends on whether developers establish sensible timelines for critical path items and manage those timelines effectively. The best way to achieve schedule accountability is to add those critical path items, and associated key milestones, to the standard OHCS Schedule. These milestones should be items under the sponsor's control such as

(a) submission of materials to complete entitlements

(b) building permit submission and

(c) selection of debt and equity providers.

Sponsors should have to meet each of these milestones (with a grace period of up to six weeks for each milestone) if they want to maintain their place in the 4% LIHTC queue.

OHCS should convene a workgroup of successfully established developers to revise its Development Schedule template.

p. 37 Location Need Severity

Affordable housing needs exist everywhere and there are multiple, equally legitimate reasons to build in diverse locations. Against this general backdrop of ubiquitous need, the availability of buildable sites and favorable building code drives affordable housing development. Excellent building sites are difficult to obtain and there is a significant arbitrariness in whether any single, excellent site will or will not be able to earn any of these points. OHCS should therefore eliminate these scoring criteria.

p. 37 Location Opportunity and Environmental Factors

Two of these five points rely on the concept of "access." In both cases, OHCS should further defines access—e.g. is it measured in time? Distance? Transit connections? In the case of access to "School / Education / Library / Workforce Training", OHCS should clarify that any one of those settings suffices to earn the point.

p. 38 Vulnerable Gentrification Area

Eight points can make or break an application, especially if (as implied here) they are assigned in an all-or-nothing fashion. The number of points available should be four at most.

Absent clearly defined and stable geographical definitions of areas fitting the description of "gentrification vulnerable", which developers can rely on for years at a time, the introduction of this criterion will introduce significant uncertainty into the development process. Developers will not know which sites to pursue or avoid. If OHCS cannot assure that "gentrification vulnerable" neighborhoods will remain stable across multiple years, it should eliminate this scoring factor.

p. 41 Cost and LIHTC Effectiveness

For both categories, it is insufficient to look simply at building type. The same three or four story stick-built building may trigger no prevailing wages, Davis-Bacon Residential Wages (due to Project-Based Section 8) or BOLI wages (if it includes commercial space.) These different wage determination should be compared against each other to achieve meaningful distinctions.

Similarly, if projects are competing against each other in the Portland area, a PHB-Portland project may cost more per unit by dint of Portland's Green Building policy (which requires more than the CDM) than projects from neighboring jurisdictions that do not have City-specific green building requirements that apply to affordable housing.

Omitting these factors oversimplifies the analysis and prevents like-for-like comparisons.

p. 45 Expiration Date Scoring Criteria

This metric excludes Rental Assistance Demonstration (RAD) projects from earning these points. Congress has placed a 9/30/24 deadline for RAD conversions. Projects undergoing RAD conversion are therefore also subject to Expiry risk and should be equally eligible for these points.

p. 46 Severe Rent Burden and Mismatch Housing Stock

Both of these factors introduce a sense of capriciousness to the scoring process because preservation opportunities are where they are. Imagine a project that is just 1% point below both of these metrics. In a scoring environment where every point counts, losing the resulting three points could mean the project is not funded. For the neighborhood, jurisdiction and residents involved, that outcome would feel arbitrary. Better that these points should be reassigned based on factors like cost efficiency, developer capacity, partnerships and equity outcomes instead.

p. 47 Federal Preferences

Limiting eligibility to HOME and CDBG overlooks the fact that housing authorities often include federal capital sources under their control into preservation projects. Projects utilizing funds under the control of a housing authority should be eligible for these two points.

p.47 Cost and LIHTC Effectiveness
Same comment as for page 41.

p. 67 Long-Term Rental Assistance in Excess of Ten Years
Metro's Regional Long-Term Rental Assistance (RLRA) is, by definition, less than a 10 - year commitment. Multiple government agencies are currently collaborating on various strategies to address RLRA's potential sunset. To reflect this nuance, Home Forward recommends that the QAP language addressing this topic change from:

> "Absent a long-term commitment (in excess of ten (10) years), Projects with rental assistance must demonstrate financial feasibility, excluding the rent subsidy."
>
> to…
>
> "Absent a long-term commitment (in excess of ten (10) years), Projects with rental assistance must demonstrate an appropriate risk mitigation strategy that responds to the potential loss of rental subsidy."

Thank you for this opportunity to comment on the draft QAP. I am available at 503-577-6620 should have any questions about these comments.

Jonathan Trutt

Director, Development and Community Revitalization

OHCS Public Comment Responses

Appendix 3

Submitted By:	Issue	Page, Line	Comments & Feedback	OHCS Response
Jill Chen, PHB	Allocation Set Aside	P10, L13	65% PAB allocated to Portland Metro. However, Housing Authorities have first priority and can issue PABs as they see fit. This sets up an inherent conflict between largest Housing Authorities in the state and the largest municipalities in the state. In addition, this creates a conflict between county Housing Authorities who may want to use PABs for acquisition/rehab vs. city agencies who may need to use PABs for other priorities such as use of time sensitive Bonds, federal funds, etc. Will OHCS consider the 65% allocation AFTER Housing Authorities have already indicated how much PAB they will take off-the-top?	The agreement with our Housing Authority partners is in an effort to maintain a consolidated path for planning of a resource that has multiple points of access. We will revisit this issue at the next general QAP update.
Jill Chen, PHB	Project Performance – "readiness to proceed benchmarks"	P16, L16	Readiness to Proceed criteria automatically penalizes smaller, nonprofit developers that are more likely the BIPOC community. These smaller nonprofits may not have the funds to pay for predevelopment costs especially given inflationary pressure expanding funding gaps beyond their balance sheets.	We acknowledge the potential impact, and have balanced the priority for our Culturally Specific Organizations within other LIHTC programs.
Jill Chen, PHB	Set Aside Category	p18, L34	Metro PJs have historically demonstrated a need above the current PAB set aside of 65%. Therefore to have the Tribal Set Aside of 10% be directed to the Non-Metro PJ instead of the statewide pool seem inherently inequitable (and counter to historic need) given the significant usage needed in the Metro PJ.	The geographic set-asides are meant to encourage development throughout the state. The amount allocated to the non-metro PJ set-aside has been insufficient to fund any of the many applications received.

Jill Chen, PHB	Re-evaluation of Reservation	P19, L23	Failure to close within two hundred forty (240 days of the Reservation 24 (“Reservation Period”) may result in the re-evaluation of a PAB reservation. It should be noted that Portland projects takes approximately one year from initial concept to permitting and most developers will not significantly advance design/development without knowing if PABs will be granted. Furthermore, predevelopment loans may not be granted if there is no surety that PABs and 4% LIHTC will be available to close transactions within the timeframe required. Can OHCS allow an exception for Portland Metro projects to have a 360 day window instead?	We appreciate the feedback and have adjusted the QAP to reflect a change to close within and before 300 days from the original proposed 240 days.
Jonathan Trutt, Home Forward	Two Week Change in Closing Timeline	P.16	Home Forwad believes the "two-week" metric is too strict a requirement. Projects routinely experience changes in their closing schedule—changes which are completely unrelated to a developer’s diligence and project management skills—that exceed two weeks. Vis-a-vis the timeline shown in a 4% pre-application, projects should be able to adjust their closing date by eight weeks without losing their spot in the queue. And focuses too much on the very end of a multi-year process. Whether or not a project stays on its initial schedule depends on whether developers establish sensible timelines for critical path items and manage those timelines effectively. The best way to achieve schedule accountability is to add those critical path items, and associated key milestones, to the standard OHCS Schedule. These milestones should be items under the sponsor’s control such as (a) submission of materials to complete entitlements (b) building permit submission and (c) selection of debt and equity providers. Sponsors should have to meet each of these milestones (with a grace period of up to six weeks for each milestone) if they want to maintain their place in the 4% LIHTC queue.	We appreciate the feedback and have adjusted the QAP to 4 weeks from the original proposed 2 weeks.

Jonathan Trutt, Home Forward	Annual Application Process	P.19	An annual application process, in conjunction with the singular focus on the closing date discussed above, will create unnecessary stoppages in the 4% LIHTC pipeline. For example, Project A receives a spot in the 2023 4% LIHTC closing queue and has a scheduled closing date of 11/15/23. By 3/15/23, it may be obvious that the project will not meet its 11/15/23 closing projection. Project B, not in the annual queue, may be well situated to assume the place of Project A. Under what mechanism could that happen? To keep as many projects moving through the pipeline as quickly as possible, OHCS should (a) adopt schedule metrics other than closing dates that create schedule accountability (see above) and (b) publish an ordered wait list of initially unsuccessful 4% LIHTC applicants. OHCS should update the waitlist monthly to account for any projects that have dropped out of the queue for failing to meet scheduling milestones (including applicable grace periods.)	We are moving forward with the process as stated in this update. We will reconsider at the next QAP update
Jonathan Trutt, Home Forward	Construction Finance Close	p.17	The requirement listed here—"must close…by the date listed on the intake application"—is inconsistent with the two-week change allowed on the previous page. As previously discussed, sponsors should be allowed to change their closing date by up to two months	Thank you for your suggestion. We have addressed this in another update
Jonathan Trutt, Home Forward	Failure to Close within 240 days of Reservation	p. 20	This is a very aggressive timeline for closing. The metric should be a closing schedule that ensures the project will meet Carryover and/or Placed in Service requirements. The addition of scheduling milestones for critical path items discussed above– applications for entitlements and permit application, selection of financing partners—would enable OHCS to effectively monitor progress towards closing	Provisions requiring 240 days have been extended to 300 days.
Jonathan Trutt, Home Forward	Long-Term Affordability	p. 21	All projects receiving LIHTCs should be held to 60 year affordability terms.	Thank you for your suggestion. This is included in the update

Jonathan Trutt, Home Forward	Quarterly MWESB Reporting	p. 23	Sponsors should be asked to provide information at a project's halfway point and its completion. This "twice per project" will reduce the reporting workload for both OHCS and sponsors' staff, while still providing OHCS with timely data on MWESB outcomes. Additionally, OHCS should strive to make Procorem's MWESB reporting format identical to reports already being generated for other funders--e.g. the City of Portland and/or Metro Local Implementation Partners	Up for consideration under the next QAP update.
Jonathan Trutt, Home Forward	Project Changes to Total Project Costs and Financing Sources	p. 27	Because "materiality" in the context of project budgets is undefined, as currently drafted, sponsors need to provide OHCS written notification of any change in Total Project Costs or Debt and Equity. The figures are constantly in flux. The better way to keep OHCS informed of changes to these items is via quarterly proforma updates.	With the current strain of resources, OHCS needs to be made aware of changes that could impact current allocation estimates. All changes therefore must be reported.
Jonathan Trutt, Home Forward	Development Schedule	p. 34	Whether or not a project stays on its initial schedule depends on whether developers establish sensible timelines for critical path items and manage those timelines effectively. The best way to achieve schedule accountability is to add those critical path items, and associated key milestones, to the standard OHCS Schedule. These milestones should be items under the sponsor's control such as (a) submission of materials to complete entitlements (b) building permit submission and (c) selection of debt and equity providers. Sponsors should have to meet each of these milestones (with a grace period of up to six weeks for each milestone) if they want to maintain their place in the 4% LIHTC queue. OHCS should convene a workgroup of successfully established developers to revise its Development Schedule template.	The application will have an updated development schedule. We have also ammended our closing schedule flexibility for change to 4 weeks instead of 2.

Jonathan Trutt, Home Forward	Location Need Severity	p. 35	Affordable housing needs exist everywhere and there are multiple, equally legitimate reasons to build in diverse locations. Against this general backdrop of ubiquitous need, the availability of buildable sites and favorable building code drives affordable housing development. Excellent building sites are difficult to obtain and there is a significant arbitrariness in whether any single, excellent site will or will not be able to earn any of these points. OHCS should therefore eliminate these scoring criteria	Up for consideration under the next QAP update.
Jonathan Trutt, Home Forward	Location Opportunity and Environmental Factor	p. 37	Two of these five points rely on the concept of “access.” In both cases, OHCS should further defines access—e.g. is it measured in time? Distance? Transit connections? In the case of access to “School / Education / Library / Workforce Training”, OHCS should clarify that any one of those settings suffices to earn the point	Up for consideration under the next QAP update.
Jonathan Trutt, Home Forward	Vulnerable Gentrification Area	p. 38	Eight points can make or break an application, especially if (as implied here) they are assigned in an all-or-nothing fashion. The number of points available should be four at most. Absent clearly defined and stable geographical definitions of areas fitting the description of “gentrification vulnerable”, which developers can rely on for years at a time, the introduction of this criterion will introduce significant uncertainty into the development process. Developers will not know which sites to pursue or avoid. If OHCS cannot assure that “gentrification vulnerable” neighborhoods will remain stable across multiple years, it should eliminate this scoring factor	Up for consideration under the next QAP update.

Jonathan Trutt, Home Forward	Cost and LIHTC Effectiveness	p. 41 and 47	For both categories, it is insufficient to look simply at building type. The same three or four story stick-built building may trigger no prevailing wages, Davis-Bacon Residential Wages (due to Project-Based Section 8) or BOLI wages (if it includes commercial space.) These different wage determination should be compared against each other to achieve meaningful distinctions. Similarly, if projects are competing against each other in the Portland area, a PHB-Portland project may cost more per unit by dint of Portland's Green Building policy (which requires more than the CDM) than projects from neighboring jurisdictions that do not have City-specific green building requirements that apply to affordable housing. Omitting these factors oversimplifies the analysis and prevents like-for-like comparisons.	Up for consideration under the next QAP update.
Jonathan Trutt, Home Forward	Expiration Date Scoring Scoring Criteria	p. 45	This metric excludes Rental Assistance Demonstration (RAD) projects from earning these points. Congress has placed a 9/30/24 deadline for RAD conversions. Projects undergoing RAD conversion are therefore also subject to Expiry risk and should be equally eligible for these points	OHCS has reviewed this for consideration and found that congress has historically renewed the RAD program. OHCS currently has scoring in the 9% round for rent assistance projects and preservation. RAD is suitably competitive under those scoring categories.

Jonathan Trutt, Home Forward	Severe Rent Burden and Mismatch Housing Stock	p. 46	Both of these factors introduce a sense of capriciousness to the scoring process because preservation opportunities are where they are. Imagine a project that is just 1% point below both of these metrics. In a scoring environment where every point counts, losing the resulting three points could mean the project is not funded. For the neighborhood, jurisdiction and residents involved, that outcome would feel arbitrary. Better that these points should be reassigned based on factors like cost efficiency, developer capacity, partnerships and equity outcomes instead.	Up for consideration under the next QAP update.
Jonathan Trutt, Home Forward	Federal Preferences	p. 47	Limiting eligibility to HOME and CDBG overlooks the fact that housing authorities often include federal capital sources under their control into preservation projects. Projects utilizing funds under the control of a housing authority should be eligible for these two points	That is not the intention of these two points.
Jonathan Trutt, Home Forward	Long Term Rental Assistance in Excess of 10 years	p. 67	Metro's Regional Long-Term Rental Assistance (RLRA) is, by definition, less than a 10 - year commitment. Multiple government agencies are currently collaborating on various strategies to address RLRA's potential sunset. To reflect this nuance, Home Forward recommends that the QAP language addressing this topic change from: "Absent a long-term commitment (in excess of ten (10) years), Projects with rental assistance must demonstrate financial feasibility, excluding the rent subsidy." to… "Absent a long-term commitment (in excess of ten (10) years), Projects with rental assistance must demonstrate an appropriate risk mitigation strategy that responds to the potential loss of rental subsidy.	Thank you for the suggestion. We are considering this in the next full QAP update
Kurt Creager, Bridge Housing	Preservation set-aside of the 9% LIHTCs	-	Suggestion to allow expiring LIHTC as a qualification for preservation when being preserved by non-profits.	Thank you for the suggestion. We are considering this in the next full QAP update

Rob Prasch, Network for Oregon Affordable Housing	Language of the long term affordability	p. 21	Suggestion to left the caveat language for "other OHCS resources. Expending the affordability term for 4% and 9% LIHTCs to 99 years.	Thank you for the suggestion. We are interested in considering this in the next full QAP update
Rob Prasch, Network for Oregon Affordable Housing	Preservation set-aside of the 9% LIHTCs	p. 13	Update the langauge specific to eligiblity requirements of HUD and RD projects.	Thank you for the suggestion. This language has been updated
Rob Prasch, Network for Oregon Affordable Housing	9% LIHTC Ranks and Tie Breaking	p. 18	In 2019 the Department established a new 10% Tribal Housing set aside and reduced the Preservation set aside from 35% to 25%. In response to concerns raised by preservation focused developers, the Department adopted the policy of directing any unused funds from the Tribal set aside, should there be any, to the preservation set aside. Given the high demand for preservation resources, I recommend maintaining the existing policy.	We have an unprescedented number of preservation funding coming from state resources and this slight tweak will allow for the funds to funnel into set-asides with insufficient funds.
Thom Amdur, Lincoln Avenue Capital	4% LIHTC Award Order and Eligibility (general)	p. 10	While we appreciate that the public housing portfolio in Oregon has significant capital needs and should receive consideration in the QAP, we suggest that housing authority-owned projects should not receive the highest priority in the award order. We believe that the QAP should be neutral as to suggest that if this distinction is eliminated, PHAs will still compete very favorably given their connection with local government and their ability to leverage local and federal funds. This will also allow culturally specific and MWESB organizations to compete on more equal footing	The award order is not open to change at this point in time. We will review the award order after a few 4% cycles.

Thom Amdur, Lincoln Avenue Capital	4% LIHTC Award Order and Eligibility (Significant Local Funds)	p. 10	We further suggest that additional consideration be given to developments "without other subsidy." We believe that it is important that OHCS consider leverage in its evaluation of projects in so much as it allows the agency to stretch its limited federal housing resources further. Indeed, given the current cost environment, it is likely that most if not all TEB projects that submit in the competitive round will require some degree of soft financing to be financially viable. However, we believe that applications that meet the programmatic and mission requirements in the QAP without utilizing OHCS or other soft funds should be rewarded as it will potentially allow OHCS or other funders to support additional projects or provide deeper subsidy to priority projects in exchange for other community benefits like deeper income targeting or servicing markets that might not otherwise be able to be served. We suggest that OHCS consider creating a set-aside for projects that do not require "significant local funds, OHCS and/or federal funding."	The award order is not open to change at this point in time. We will review the award order after a few 4% cycles.
Thom Amdur, Lincoln Avenue Capital	4% LIHTC Award Order and Eligibility (Award Order 2)	p. 10	With respect to Award Order 2, we suggest that the category be broadened to include philanthropic loans or grants in addition to local jurisdictional gap subsidy sources. We further ask OHCS to define in more detail "federal funding" as it relates to the Award Order 3 ranking. Does federal funding include project based rental assistance and/or project-based vouchers? If so, what percentage of the units must be covered to qualify? Does permanent financing from the Federal Housing Administration, USDA Rural Housing Services and/or Department of Transportation TIFIA program qualify? Is there a minimum dollar amount or percentage of projects sources necessary to qualify?	The award order ranking 3 for federal funding would not include rental assistance or project based vouchers. We will include a definition that clarifies award 3 is specific to capital funds for construction.

Thom Amdur, Lincoln Avenue Capital	Minimum Thresholds for 4% and 9% - Long Term Affordability	p. 21	Lincoln Avenue Capital is committed to long-term affordability as part of our mission. We appreciate and support that long-term affordability is a threshold requirement in the draft QAP. We believe it is appropriate to extend the affordability requirement for 4% LIHTC projects from the current minimum 15-year extended use requirement but suggest that adding an additional 10 years of affordability (40 years total) is a more appropriate threshold. As OHCS knows, all real estate assets require recapitalization as they age. A 40-year-old asset would be fully depreciated and requiring extensive recapitalization (if it is not required sooner). Given that eligibility for most preservation resources (volume, soft funds, etc.) are triggered by the expiration of affordability we think it is appropriate to have alignment of affordability expiration with building useful life or barring that a commitment by theagency that older assets will be eligible for preservation resources	Thank you for your input. We are going to preserve the proposed 60 years and consider the addition of a 99 year affordability on projects receiving their second allocation of tax credits for the next full QAP update.
Thom Amdur, Lincoln Avenue Capital	Minimum Thresholds for 4% and 9% - Qualified Contract	p. 21	We support the proposed changes regarding the waiver of qualified contract for 4% LIHTC transactions. We recommend OHCS retain the ability, at its sole discretion, to allow a qualified contracts if OHCS deems it is in the best interest of the property. This would probably only be the result of a financial distress brought on by dramatic changes in market conditions and to avoid a foreclosure that would otherwise eliminate affordability	The QAP already comes with a reserved right to waive any condition listed therein.

Thom Amdur, Lincoln Avenue Capital	Cost Saving Clause / Maximum Contractor's Profit and Overhead	Pg. 28, Lines 15-17; Pg. 61	We believe the cost savings clause that forbids construction contracts from having “provisions for cost savings that are to be retained by the general contract or split with the project applicant” does not align incentives to encourage cost efficiency. The development and construction teams should be encouraged to bid projects as accurately as possible, as well as find efficiency savings on the rare occasions that they arise. This is especially the case given that as compared to it peer agency, OHCS allows for lower construction contingencies and lower maximum contractor’s profit and overhead (when the contractor is a related party) (pg. 61.) Note, Lincoln Avenue Capital does not have an affiliated general contractor and exclusively uses third party GCs	Thank you for the suggestion. We are considering this in the next full QAP update
Thom Amdur, Lincoln Avenue Capital	Maximum Developer Fees	p. 60	We also observe that OHCS has the ability to stabilize funded 9 percent LIHTC projects that have rising costs by allowing the applicant to apply for supplemental allocations of LIHTC to fill project gaps under exigent circumstances. Given that this option is not available to 4 percent transactions, we recommend OHCS consider further modifications to its developer fee structure to generate additional eligible basis for financially stressed bond transactions as an alternative strategy. Arizona’s Department of Housing recently amended its QAP to allow for an additional 5% “hardship developer fee” above its posted fee limits of 19% for bond financed transactions. We recommend OHCS incorporate the concept of a hardship developer fee for applicants that can demonstrate they have exhausted all available resources (i.e., exhausted development contingency, reasonable value engineering, etc..) and can demonstrate that the additional deferred development fee can be repaid through project cash flow within 15 years.	Thank you for the suggestion. We are considering this in the next full QAP update

Thom Amdur, Lincoln Avenue Capital	Replacement Reserves	p. 63	We recommend that OHCS create a path to allow for a waiver process from its stated minimum guidelines, at its discretion and on a on a case-by-case basis if the permanent lender specifies a lower RFR amount.	Replacement reserves as listed in the QAP are already lower than those required for other programs. We appreciate the comment.