

Housing Division Technical Advisory

Date: May 6, 2009

To: OHCS Housing Partners

From: Bob Gillespie, Oregon Housing and Community Services

Re: Fall 2009 CFC: Preservation

The long-awaited federal guidance this week for implementing key elements of the stimulus bill creates the opportunity for Oregon Housing and Community Services to move forcefully ahead with a large spring round of its [Consolidated Funding Cycle](#), now underway.

**Spring CFC.** The current spring round will total some \$5.0 million, bolstered by the Tax Credit Assistance Program (TCAP) and the Tax Credit Exchange Program under the American Recovery and Reinvestment Act of 2009.

The exchange program gives OHCS the option of turning in unused and returned 2008 [Low-Income Housing Tax Credits](#) for grant funds and some 2009 LIHTC credits for grant funds. In addition, TCAP provides the department additional funds to accompany the allocation of federal tax credits. The funds are coordinated with LIHTCs to fill financing gaps caused by the collapse of the tax credit market and to jumpstart stalled housing development projects, thereby creating jobs.

These federal stimulus programs, allowing OHCS to increase the current allocations of tax credit awards, puts the department in an excellent position to establish the spring CFC as the “big round.” Accordingly, OHCS will designate the fall 2009 CFC as a small round, limited to preservation of expiring federally subsidized rental housing.

This completes the transition establishing the spring CFC as the “big round,” and the fall CFC as the “small round,” recommended by the Cost

Containment Work Group. These OHCS partners advised that such a schedule aligns well with the construction season in Oregon.

Larger, more numerous projects approved in spring are expected to be fully planned and in position for groundbreaking more than a year after approval, during the dryer, production-effective summertime. The past practice of having the larger round in the fall often dictated project launches in the winter's mud.

Accordingly, OHCS will beef up the current spring cycle, committing all remaining 2009 LIHTCs as well as a small portion of 2010 credits to establish it as the big round. We know from an OHCS study published earlier this year ([“Housing as an Economic Stimulus”](#)) that this will serve as an economic boost in Oregon.

Also note, OHCS will be particularly vigilant in assessing developer performance as the department moves forward.

**Fall CFC.** In the fall 2009 CFC round, OHCS plans to commit only \$1.5 million in 2010 Low-Income Housing Tax Credits, along with non-tax-credit financing vehicles and Oregon Affordable Housing Tax Credits. The round will be targeting preservation projects, given the extreme need in our communities for this type of affordable housing. We expect as many as 120 living units can be built.

Limited resources leads to our highest priority: preservation of expiring federally subsidized rental housing contracts. Preservation is an OHCS priority. It is the cheapest, most efficient method of building affordable housing – far cheaper than building new housing. The department has preserved well over three-thousand affordable units to date and is striving to preserve more than five-thousand units that will expire through the year 2015.

**Basis boost.** OHCS is working diligently to keep existing projects feasible by awarding the 30 percent basis boost where possible, allowing builders to

get added tax credits. This means the department is spending more credits to keep our developer-partners viable.

The amount of LIHTC available to a project – calculated using eligible basis (generally the amount of an investment in a property for tax purposes) – was broadened under the Housing and Economic Recovery Act of 2008 to remove geographic restrictions. The Internal Revenue Code allows an increase in eligible basis of up to 30 percent for certain LIHTC projects to the state’s discretion. This “basis boost” results in a corresponding 30 percent increase in the maximum LIHTC subsidy.

A year from now, we expect the spring 2010 round to be open to all types of projects and to include approximately \$5 million in LIHTC.

The OHCS approach helps take on challenges and opportunities brought forth by the sweeping federal legislation to the tax credit program while continuing the department’s funding cycles in a predictable fashion to create as much certainty as possible in these difficult economic times.

This is not a perfect solution, given all the uncertainties and imperfect information available to us today. However, it is driven by both the needs of our communities and some of the timing requirements of federal stimulus funding, which would not otherwise be available to leverage Oregon affordable housing.

For details, please contact me (Bob Gillespie, 503-986-2106, [bob.gillespie@state.or.us](mailto:bob.gillespie@state.or.us)) or the RAD, regional advisor to the department, in your part of the state:

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