Spring 2009
Consolidated Funding Cycle
Program Manual and Application Materials

What We Do Matters!

For the following programs:
HOME
Housing Development Grant (Trust Fund)
Low Income Housing Tax Credit
Low Income Weatherization
Oregon Affordable Housing Tax Credit

Oregon Housing and Community Services
725 Summer Street NE, Suite B
Salem, OR 97301-1266
(503) 986-2000,
FAX (503) 986-2020, TTY (503) 986-2100
www.ohcs.oregon.gov

STATE OF OREGON 1859

Table of Contents

Section 1: Application Overview

INTRODUCTION:
Changes to the Application and Reservation Process

If you did not attend a CFC Application Training Session last summer or submit an application for the Fall 2008 CFC round, you may not know the CFC application has undergone an extensive revision.

Included in the changes is a new Self-Scored Section, which accounts for 50 percent of the total possible score. The self-scored section enables the applicant to gauge their proposal's level of competitiveness within the department's scoring process before spending the funds necessary to complete and submit an application.

Another revision incorporates housing need priorities which helps to assure funding awards will be used to address the greatest unmet housing needs across the state.

There is now an Instructions Section designed to provide information on how to complete forms and narrative responses in the application. There is an expanded Threshold Section. Meeting Threshold is now a pass or fail situation. Any project which fails Threshold will be pulled from further review and the applicant will be notified the project will not be reviewed in this round.

In an effort to keep projects moving forward, the department has initiated a "75 day" process. All projects receiving a funding reservation will have a 75 day period in which to satisfy specified funding conditions.

Please be sure to read all of the Overview and Funding Program Requirements section before you begin your application. Your Regional Advisor to the Department is available to answer questions.

Thank you for your efforts to provide or preserve affordable housing. Best wishes for a successful application.

NOTICES

This Section contains information about federal and state programmatic requirements and updates to department policies. Additional department requirements and expectations are discussed throughout the application packet. It is imperative that the application be read carefully and read in its entirety before an application for funding is submitted.

No Housing PLUS or HELP Funds Available
Neither Housing PLUS nor HELP funding will be offered this CFC round. The Housing PLUS development funds allocated by the Legislature have been awarded and the source of revenue used to fund the HELP program has ended.

Restricted Use of Low Income Weatherization Program Funds
This round, $700,000 is offered in Low Income Weatherization funds. $600,000 of the total is from PGE collection areas and can only be used in locations served by PGE. Other restrictions apply depending on the type of fuel used for heating and the weatherization activities planned. $100,000 is from other funds which do not have similar limitations for location or type of fuel used by the weatherization or energy-efficiency measure to be taken.

Population Change in 30% Set-Aside
The definition of the homeless population eligible for funding under the 30% Set-Aside has been broadened. The department has adopted the definition of homelessness used by the state's Ending Homelessness Advisory Council (EHAC). The complete definition under which permanent housing for the homeless can qualify for the set-aside is described in OHCS Performance Measurements and Preferences later in this Section.

No Awards for Debt Reduction
The department occasionally receives CFC applications which request funds to either take out or buy down the existing financing of their project. Awarding CFC funds for this purpose reduces the department's ability to support the generation or preservation of affordable units. For this reason, <u>requesting payment of current financing will not be an eligible activity for CFC funding.</u>

This policy does not apply to payment of existing pre-development or bridge loans with terms of no more than 24 months. Paying off or paying down a pre-development or short-term bridge loan from any source qualifies for consideration in the CFC process.

CFC Training for Spring 2009
One training session has been scheduled to discuss the Spring CFC application and changes to the reservation process. It is scheduled for:

Friday, January 9, 2009
10 a.m. – 1 p.m.
Room 124a and b, OHCS

Potential applicants who did not attend a Fall 2008 training workshop should plan to attend as there have been numerous and substantial changes to the application.

Need for the Project
Because CFC funds are limited, the department strives to award funding to projects which address the highest unmet need. A "Needs Analysis" component has been added to the application process to prioritize unmet need and better direct funding to projects serving those populations. A complete description of the categories, prioritizations and scoring impact is included in the Application Review and Submittal Process section of this Overview.

Threshold Requirements
The significance of the Threshold Section has been expanded in the revised application. Threshold is now Pass/Fail. The applicant must submit a zoning certificate, evidence of site control, the Environmental Review Checklist and specified architectural plans. If any of the required documents are missing, incomplete or do not support the project, the application will be removed from the CFC review process. Additional information on the Threshold Section is provided in the Application Submittal and Review Process section of this Overview.

Zoning Certificate
In the past, the department has allowed applicants to provide correspondence from the planning office to confirm the site is zoned appropriately for the proposed project. There have been instances in which the zoning approval document has not adequately met the CFC requirements. The application now contains a Zoning Certification Form for applicants to submit to the planning department for completion. The Zoning Certificate must be included in the application to meet Threshold Requirements.

Green Building as a Scoring Criteria
The Self-Scored Section of the application includes an opportunity to earn points for green building activities and conservation measures that will be used in the project. In keeping with the state's Sustainability Objectives, OHCS has adopted a CFC Green Building Standard ("Standard"). The Standard was developed through an extensive research and stakeholder engagement process. It defines tangible green building performance thresholds required of all CFC projects. The Standard balances the need to effectively address the state's commitment to sustainability and the need to be valuable to Oregon's diverse range of affordable housing stakeholders. Specifically, the five core areas of stakeholder concern by which green building standards were selected include costs, relevance, consistency of requirements, access to support and implementation.

Incorporation of green building activities, and participation in that portion of the Self-Scored Section, is not a requirement for funding. Sponsors may submit applications that don't include the listed green building criteria, but must understand that projects which do participate will receive more points in that section of the department's scoring process.

The Spring 2009 CFC Green Building Standard identifies four different green building certification programs as potential compliance paths:

- Enterprise Green Communities Criteria 2008;
- Earth Advantage Homes;
- LEED for New Construction or Homes; or
- OHCS Path for Acquisition/Rehabilitation or Acquisition Only, to be used by applicants whose projects are ineligible under the above options

Applicants who choose to include in their project green building measures and claim green building points in the Self-Scored Section, must certify the project under one of these programs. An outline of the current Enterprise Green Communities, Earth Advantage, and LEED programs are included in the Architectural Standards section of the application. Instructions for completing the Green Building worksheet in the Self-Scored Section are included in the Instructions for Completing the Application.

Costs associated with either implementing a green building plan or consultation in the development of a plan are eligible for reimbursement if the project receives a reservation of funding, and should be detailed in the Financial Feasibility section of the application.

75 Day Reservation Period
Once the CFC review is completed and funded projects have been determined, the project enters as 75 Day Reservation Period. The applicant is expected to complete a number of development benchmarks within this period of time. In the event of non-performance, the department may decide to revoke the funding reservation. A comprehensive discussion of the 75 Day Reservation process is included in the Application Review and Submittal Process section of this Overview.

Department's Discretion to Retain Funding
To encourage sponsors and housing owners to submit all requested closing documents timely and accurately to the department, the department may withhold up to 10% of the department's largest funding source in the project until all required closing documents are received and accepted.

Affirmative Hiring Practices
At project completion, project owners will now be expected to complete the department's forms for reporting minority and women-owned business and emerging small business participation. This reporting requirement will replace the condition requesting narrative responses from the project owner and contractor describing affirmative hiring efforts. Sponsors requesting HOME funds will be required to complete both narratives and reporting forms, as they do currently.

Submission of Construction Cost Documents
Sponsors will be required to include in the application the cost estimations used to determine the construction budget. Examples of appropriate cost documents are: a contractor's or cost estimator's worksheet, rehabilitation assessment, scope of work, or any other documents which show how the construction costs were established.

Changing Inflation Rate from 3 / 4 to 2 / 3.
To reflect the current trend in the underwriting industry, the department has changed the inflation rates in the pro forma spreadsheets from 3 and 4% to 2 and 3%. Project income will automatically inflate at 2% annually instead of 3%, and expenses will automatically inflate at 3% rather than 4%. The applicant may choose to use a different inflation rate, but must include in the application an explanation for doing so.

Change in Market Assessment Requirements for Group Homes
The Market and Rent Assessment section has been revised to add a provision for group homes. Instead of completing the Special Needs Market Assessment, sponsors of group home projects will only need to answer two narrative questions. Read the instructions in the Market and Rent Assessment section before determining if your application is eligible for this abbreviated submission.

Department of State Lands Wetlands Policy
All applications awarded funding must be reviewed by the Oregon Department of State Lands (DSL) for the possibility of regulated wetlands on the site. OHCS will complete the submission of documents to DSL. If DSL determines that wetlands are present or likely to be present, you will be required to obtain a wetland verification and boundary delineation by a qualified wetland consultant for submission, review and approval by DSL. Additional site or design requirements made by DSL must be incorporated into the project.

Tax lot numbers are required information for our requests to the Department of State Lands for wetlands determinations. A space has been provided on the Environmental Review Checklist to capture this information. Be sure to provide the tax lot number for each parcel of land involved in the project. Not including your tax lot number on the application will cause a delay in that process for your project.

Pro Forma Cells Are Protected
The pro forma cells have been protected to help applicants avoid inadvertently changing cell data. However, no password has been used. Cells can be unprotected by the applicant. Budgets should be completed carefully as data errors could cause reviewers to question the viability of the project.

Separate Commercial Budgets
The pro forma spreadsheets now contain separate columns for commercial costs for projects containing commercial space. All costs associated with the commercial portion of development and construction, as well as any income derived from rental of the commercial space which will be used as operating revenue for the housing project, must be itemized separately from the costs and income of the residential portion. The pro forma instruction pages provide guidance for using the commercial features.

Future Change: Development of Two CFC Applications
The department intends to offer two versions of the CFC application in the next CFC round. One will be for applicants whose requested funding sources do not include LIHTC, but do include any or all of the other available CFC resources. The other application will be for projects which include LIHTC as a requested source, in addition to the other CFC funding sources. The applicant will choose which application to submit, determined by LIHTC being, or not being, a requested funding source.

<u>HOME Program:</u>

Checking Contractors on the Debarred List
HOME recipients may not use contractors or firms that are on the federal debarred or limited denial of participation web site. Subcontractors must be checked if there is no general contractor for the project. **Eligibility must be verified prior to entering into a contract.** If OHCS finds the contractor is listed on the web site, the sponsor will receive a letter informing them the contractor is ineligible. Additional information and instructions are discussed in the HOME Program Description and Requirements section of this application.

Special Needs Projects and HOME Eligibility
In order to utilize HOME funds in special needs projects licensed by the Department of Human Services, certain HOME program requirements must be met. Any project proposed to be funded with HOME and licensed by DHS must include with the application a letter from DHS stating that DHS will allow the project to comply with restrictions of the HOME program regarding leases, affirmative marketing and for-cause evictions with 30 day notice. See the HOME Program Description and Requirements section of this application for a complete discussion of the HOME requirements.

<u>LIHTC Program:</u>

Changes to the LIHTC Program
The passage of recent Federal legislation has resulted in a number of changes to the LIHTC requirements and restrictions. Applicants are encouraged to read the LIHTC Program Description and Requirements section carefully and thoroughly.

Limitation of Applications by RAD Region Removed
Applicants are no longer restricted to the submission of no more than two applications for LIHTC funding per RAD region.

LIHTC Market Study Requirement Pertaining to Certified Appraiser
Completing a rental analysis and estimating unit rents for a specific project is considered an appraisal under the Uniform Standards of Professional Appraisal Practice (USPAP) and ORS 674. The rental analysis sections (both market and affordable) of the third party market analysis must be completed by a State Certified General Appraiser. Please contact the Oregon Appraiser Certification and Licensure Board for further information regarding certification.

Random Audits of Costs on LIHTC Projects
As the state agency responsible for the LIHTC program in Oregon, OHCS has an obligation to affirm to the federal government that information reported by project sponsors, developers and owners is correct. OHCS may decide to commission on a random basis financial audits of completed LIHTC projects to verify that project costs as identified in final cost certifications are accurately represented.

OHCS CHARGES FOR GRANT AND TAX CREDIT FUNDING

Please carefully review the attached chart of charges incurred for various funding activities. Ask your Regional Advisor to the Department if you are uncertain about any charges. It will be important that you adequately account for these charges as you develop your pro forma budgets for your project.

Payment of the applicable charges must accompany the CFC application when submitted. These application charges are non-refundable. Checks should be made payable to Oregon Housing and Community Services Department.

	PROGRAM	CHARGE
1	CFC Application Charge	$25/ unit - $100 minimum
2	LIHTC Application Charge (4%, 9%)	See CFC Application Charge
3	LIHTC Reservation Charge (4%, 9%)	5.5% of Tax Credit amount for projects with 30 units or less; 6.5% of Tax Credit amount for projects with over 30 units.
4	LIHTC Monitoring Charge (9%) and 4% credit projects that are non-risk sharing and non-conduit.	$35/unit/yr for first 15 yrs; $25/unit/yr. for last 15 yrs
7	Request for additional resources	1% of addtl. amt. requested or 1% of addtl. LIHTC equity
8	Change of Ownership for Grants and Tax Credits	$100 plus any additional Department of Justice charges
10	Carryover application received after December 1 deadline	$1,000 plus $200 / business day plus $100/ hr for re-evaluation
11	8609 application received more than six months after Placed In Service.	$1,000 plus $100/ hr for re-evaluation. Also $100/ mo. charge for each month after the initial six months.
12	OAHTC Application Charge	See CFC Application Charge

- The charge for submitting a CFC application is $25 per proposed unit. $25 per door is the total application charge, even if the project is requesting multiple funding sources from the department.
- The minimum application charge is $100. The maximum charge is equal to .5% of the total value of the CFC funds requested. Group homes with five or less bedrooms are considered one unit. Projects with a combination of Risk Sharing loans, grants and/or tax credits will be charged only the Risk Sharing application charge.
- If LIHTC is requested in either a 4% or 9% application, the LIHTC reservation charge will be based upon the number of units in the project. Projects with 30 or less units will be charged 5.5% of the tax credit allocation; projects with more than 30 units will be billed 6.5% of the tax credit allocation.

SPRING 2009 CFC SCHEDULE

It is our intent to provide the best customer service possible to help applicants with their CFC Application. Therefore, it is required that applicants make their initial contact with their RAD no less than one month before applications are due. For the Spring cycle, the latest date for the initial contact is **January 29, 2009.**

January 29, 2009	***Last day for sponsor's initial contact with RAD, last day to schedule on-site review***
February 23, 2009	***First day applications will be accepted***
February 27, 2009	***Last day applications will be accepted.*** (Applications must be received at OHCS by 5:00 p.m. on February 27, 2009, or postmarked on or before February 27, 2009. Applicants who attempt to hand-deliver applications after 5:00 p.m. will be directed to the nearest post office. **FAXED AND E-MAILED APPLICATIONS WILL NOT BE ACCEPTED.**
May 22, 2009	***Target date for announcing Funding Reservations.*** Letters outlining conditions of reservation will be issued to sponsors after funding reservations are announced. Sponsors will be provided a set timeline in which to complete items such as programmatic, financial, community support and service commitment information. The progress on all projects will be compared against expected timeline check points. Sponsors who have not progressed as expected may be asked to re-compete in future rounds.
June 5, 2009	All projects with funding reservations above $100,000 are presented to State Housing Council for approval.

RESOURCES AVAILABLE AND ALLOCATION OF FUNDS

During the Department's Fall 2008 Consolidated Funding Cycle, applications will be accepted for five programs: HOME, Housing Development Grant (HDGP) (Trust Fund), Low Income Housing Tax Credits (LIHTC), Oregon Affordable Housing Tax Credits (OAHTC), and Low-Income Weatherization Program (LIWP).

HOME Program	$3,000,000
Housing Development Grant Program (Trust Fund)	$1,000,000
Low Income Housing Tax Credit Program	$3,700,000
Low-Income Weatherization Program	$700,000
Oregon Affordable Housing Tax Credit Program	$12,000,000

No Housing PLUS or HELP Funds Available
Neither Housing PLUS nor HELP funding will be offered this CFC round. The Housing PLUS development funds allocated by the Legislature have been awarded and the source of revenue used to fund the HELP program has ended.

Restricted Use of Low Income Weatherization Program Funds
This round, $700,000 is offered in Low Income Weatherization funds. $600,000 of the total is from PGE collection areas and can only be used in locations served by PGE. Other restrictions apply depending on the type of fuel used for heating and the weatherization activities planned. $100,000 is from other funds which do not have similar limitations for location or type of fuel used by the weatherization or energy-efficiency measure to be taken.

Low Income Housing Tax Credits
For the 2009 credit year, there will be a transitional period. Half of the LIHTCs were offered in the Fall 2008 CFC round and half in the Spring 2009 round. The department will accept applications for any type of LIHTC proposal for funding this round. The Spring 2010 cycle will then be open to all types of proposals requesting credits.

Set Aside to Meet OHCS Strategic Plan Goals and Other Priorities
Approximately 30% of grant and tax credit resources offered will be set aside to fund department initiatives. At least 25% of the units must provide housing for the targeted population for the application to qualify for the set-aside allocation.

- Permanent housing for homeless, chronically homeless and/or persons at risk of homelessness, using the definition established by the Ending Homelessness Advisory Council (EHAC) as part of the state's ten year plan to end homelessness. See OHCS Performance Measurements and Preferences in this Section for the specific definition.
- Preservation projects, which include but are not limited to:
  - ~ those federally financed existing projects where at least 25% of the existing project's units have project based rental assistance. Projects participating in, but not limited to the following programs, are considered federally financed: HUD and USDA Rural Development;
  - ~ projects participating in programs that include the replacement of existing affordable housing units including the HOPE VI program as long as 25% of the units have project based assistance; or
  - ~ LIHTC expiring use projects if proposed rents are at least 10% below market. Preference will be given to preservation projects that have project-based rental assistance.
- Housing for developmentally disabled adults leaving, or needing to leave, households with aging parents.

It is our intent, if possible, to attain geographic distribution of the set aside by limiting the award in each RAD region to no more than 30% of total set aside funding.

For a complete discussion of the populations and projects eligible for the set-asides, read Department Set-Asides in the OHCS Performance Measurements and Preferences section of this Overview.

Regional Allocations
OHCS will allocate the remaining funds to two areas: urban/metro and rural. The urban/metro allocation consists of the city and county entitlement areas in the state that receive their own allocation of HOME funds. The specific urban/metro areas will include: Corvallis, Clackamas County, Eugene/Springfield, Salem/Keizer, Multnomah County, and Washington County. The rural allocation will be the remainder of the state.

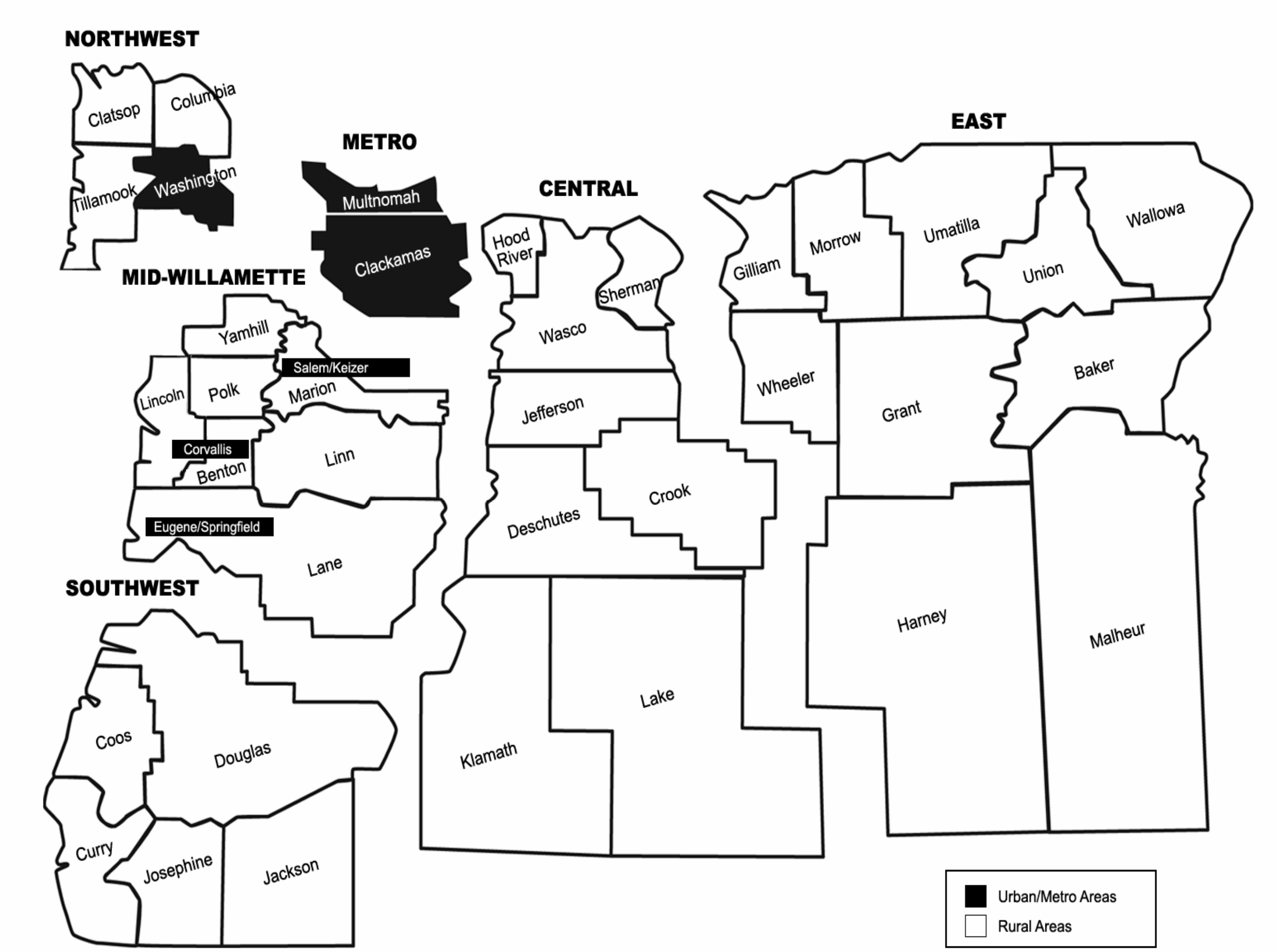
The urban/metro region will be allocated 55% of the resources and the rural area will be allocated 45% of the resources. The percentage for each region is based on the number of households at 50% of median income which is also in line with historic awards. A set-aside for Multnomah County has been apportioned out of the 55% urban/metro allocation based on previous allocation formulas.

Planned Regional Allocations

<table>
<tr><th>ALLOCATION</th><th>HOME[1]</th><th>TRUST FUND</th><th>LIHTC</th><th>OAHTC</th><th>LIWP</th></tr>
<tr><td>Urban/Metro</td><td></td><td>215,000</td><td>868,945</td><td rowspan="5">12,000,000</td><td rowspan="5">700,000</td></tr>
<tr><td>Multnomah County</td><td></td><td>170,000</td><td>555,555</td></tr>
<tr><td>Rural</td><td>2,100,000</td><td>315,000</td><td>1,165,500</td></tr>
<tr><td>Set-aside for OHCS Priorities</td><td>900,000</td><td>300,000</td><td>1,110,000</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>Total Sources</td><td>3,000,000</td><td>1,000,000</td><td>3,700,000</td><td>12,000,000</td><td>700,000</td></tr>
</table>

[1] 15% set-aside for CHDOs

Regional Advisors to the Department
And
Urban/Metro and Rural Allocations



Northwest & Metro Regions
Vince Chiotti
PO Box 2444
Portland, OR 97208-2444
Office: 971-673-7184
Fax: 971-673-7180
E-Mail: vince.chiotti@hcs.state.or.us

Mid-Willamette Valley Region
Jack Duncan
725 Summer Street NE, Suite B
Salem, OR 97301-1266
Office: 503-986-2044
Fax: 503-986-2132
E-Mail: jack.duncan@hcs.state.or.us

Southwest Region
Karen Clearwater
2510 Oak Mont Way
Eugene, OR 97401
Office: 541-686-7689
Fax: 541-686-7954
E-Mail: karen.clearwater@hcs.state.or.us

Central Region
Deborah Price
PO Box 1888
Bend, OR 97709
Office: 541-306-3677
E-Mail: deborah.price@hcs.state.or.us

East Region
Bruce Buchanan
1036-A NW 12th Street
Pendleton OR 97801
Office: 541-980-6300
E-Mail: bruce.buchanan@hcs.state.or.us

Section 2: Application Submittal and Review Process

APPLICATION SUBMITTAL AND REVIEW PROCESS

Initial Department Contact, Project Discussion and Site Review

Contact the Regional Advisor to the Department (RAD) assigned to your region for an appointment to discuss your project, get technical assistance, and/or schedule a site visit. In order to provide the best technical assistance to those projects ready to proceed, the RADs will have the discretion to refuse technical assistance to any sponsor whose initial contact with their RAD is less than one month prior to application. Sponsors are encouraged to make their initial contact with their RAD as early in the application period as is feasible. Refer to the CFC time schedule for all application cut-off dates.

As in the past, it is a requirement the RADs meet with the sponsors to complete a site review. A site review by the RAD is an application threshold. Prior to the RAD's site visit, you should have completed the Environmental Review Checklist. In addition to the required environmental assessment forms, sponsors are required to provide an initial site plan. The RAD will review this information during the site review.

In those instances where the site or site plan clearly do not meet OHCS application requirements, the RADs are authorized to disallow the submission of an application. It is anticipated this will impact only a small percentage of applications routinely received in a typical funding round.

Instructions Section

This application packet includes an Instructions Section which has specific instructions for completion of the tables, forms and questions contained in each section of the Application. Applicants are advised to review the applicable instructions prior to completing each section.

Application Forms and Narratives

Applicants should complete all forms and respond to the application questions. Some of the forms (or portions of forms) are specific to certain programs and are clearly marked (e.g., "HOME ONLY"). If a form does not have a specific disclaimer, all applicants must complete it. Do not respond to questions by referring to supplemental information. Responses should be concise and address only the items requested. Many questions have a page limit for the responses, which will be stated in the Instructions Section.

The application forms are available in WORD and EXCEL format. Forms can be accessed on our web site (www.ohcs.oregon.gov/OHCS/HRS_CFC_Overview.shtml), or on compact disks. **The Department will not accept applications in which the question responses are handwritten, typed, or submitted on out-dated CFC forms.**

Four of the CFC funding programs require the submission of supplemental forms specific to the funding requirements of that particular program. The applicant must submit the required forms for every OHCS funding source for which he/she is applying. Before completing the forms, the applicant should thoroughly read the application section pertaining to the particular funding source, as an understanding of the program is essential to successfully integrating each funding source into the project development.

Attachments and Supplemental Information

In an effort to control the size of the application, only specific materials are required to be submitted with the application. These materials are listed on the Application Submittal Checklist. Insert the documents in the order in which they appear on the Checklist. Do not include documents which are not required.

For projects in which LIHTC is a requested resource, two originals of the signed market study must be submitted with the application.

Application Submission Requirements

- Do not bind or staple the application.
- The original and 3 full copies should be submitted on 8½ X 11-inch paper with binder clip at the top or bound with rubber bands.
- Label the packets as “original” or “copy.”
- Applications should not be submitted on pre-punched 3-hole paper.
- Applications should have payment of application charges attached to the transmittal forms and placed on the top of the original copy of the application.
- **SEND OR DELIVER THE ORIGINAL APPLICATION, 3 FULL COPIES AND THE TRANSMITTAL FORM TO:**

Oregon Housing & Community Services
Attention: Consolidated Funding Cycle
725 Summer Street NE, Suite B
Salem, OR 97301-1266

- **NO APPLICATIONS WILL BE ACCEPTED VIA FAX MACHINE OR E-MAIL.**
- **ANY MATERIALS SUBMITTED TO THE DEPARTMENT BECOME PROPERTY OF THE DEPARTMENT.**

Application Submittal Deadline

Hand delivered applications must be received at 725 Summer Street NE, Suite B, Salem, Oregon, no later than 5:00 p.m. on the application closing date. Mailed applications must be postmarked before midnight on the application closing date. Applications or supplemental documents will not be accepted after these deadlines. Applicants who bring their application for hand-delivery and arrive after 5:00 p.m. will be directed to the post office. Application cut-off dates can be found in the CFC time schedule. Applications will be reviewed based on the merit of the materials originally submitted.

Department Considerations

As federal, state and local resources become more difficult to obtain, readiness to proceed and project appropriateness become increasingly important. This application process is designed to ensure funded projects are in the highest possible state of readiness to address local needs and market conditions. Proposals must meet the department’s general requirements and meet the conditions of each program for which the sponsor is requesting funding. Therefore, responses to the application should address the need, market, site appropriateness, resident services, community support, organizational capacity and projected financing plan of the project.

No missing material can be added to the application after the deadline. Carefully review your application before submitting it. A lack of documentation could cause the application to rank low or be rejected at the Threshold Review.

REMEMBER TO INCLUDE YOUR PAYMENT

Conditions for Not Reviewing an Application

OHCS, at its discretion, may choose not to review an application for the following reasons:

- The site is located adjacent to environmental hazards, or is located in an area not suitable for housing;

- The site has environmental issues which would prohibit investment of HOME funds; (For example, a site may be adjacent to a rail line with frequent trains.)
- The applicant is not proceeding or meeting the schedule on other previously funded project(s);
- The applicant is out of compliance on previously funded projects;
- The application is not complete;
- The application does not pass threshold requirements;
- The architectural requirements as stated in the application have not been met; or
- Other issues the department deems appropriate.

Evaluation Process

The CFC process is competitive. Applications are evaluated against stated criteria and against each other. There are two sets of scoring criteria. The first is the self-score that is completed by the applicant and is worth 100 points. The second is the review by OHCS which is also worth 100 points. Each application will undergo an initial Threshold Review. Any application not passing the Threshold Review will be pulled from further review and returned to the applicant, who is entitled to correct the application and resubmit it in a future funding round. Applications which pass Threshold Review will then receive a complete review. All applications are evaluated independently by four reviewers selected randomly from a pool of reviewers. The matrix of reviewers is analyzed to ensure that no RAD reviews applications from his/her area. The applications are scored against detailed criteria each reviewer must follow. The review criteria is updated for each funding round and reviewers are provided training to ensure consistency and objectivity. The reviewers will also confirm that the applicant accurately completed the Self-Scored Section. At completion of the individual reviews, the four reviewers will convene to discuss their findings and arrive at a mutually agreed upon score. The OHCS score will be added to the applicant's self-score.

The applications are then ranked by score and compared on a statewide as well as regional basis. The goal in comparing rankings statewide as well as regionally is to fund as many quality applications as possible. OHCS also offers a set-aside of 30% of the CFC resources for qualifying projects which serve designated populations meeting the department's strategic goals. The rankings, including conditions recommended by the review staff, are presented to the department's senior management. Senior management may substitute, reduce or increase CFC requests to maximize the number of developments that receive reservations.

OHCS reserves the right to reject projects which otherwise may have received a conditional reservation but are deficient in one or more areas of ranking. Examples might include income and expense statements that are either unrealistic or do not demonstrate the need for public funding. Applications for facilities or projects which don't meet the definition of housing may likewise be rejected.

All applicants will be notified of award or denial. Projects with grants or loans over $100,000 from any single program will require State Housing Council approval prior to reservation of funds.
Each RAD will meet with the reviewers to examine why individual applications did not compete well enough to be funded. The RAD will use this information to aid the applicant in improving future applications. RADs will meet with the sponsors of unfunded applications as soon as feasible after the notification of awarded projects has been published.

Need for the Project

Because the CFC funds are limited, it's important that projects receiving funding awards address the greatest housing needs in Oregon's communities. OHCS has completed an analysis to identify underserved populations. "Need for the Project" has been incorporated into the selection and ranking process to allow for a preference based on unmet housing need. In the Self-Scored Section, the applicant must identify the population(s) the project will serve. Points will be awarded according to the priority level placed on that population by the department. Need for the Project is worth a maximum 37 points out of a possible 200 total points. An applicant serving only Priority 3 populations may wish to re-evaluate their project before submission.

The department has addressed three broad categories of housing needs. The first are populations and housing types which the department has determined to be a Priority 1 for all regions of the state. There are currently two populations and one project type in this designation. They are: housing for the homeless and chronically homeless and preservation projects under the department's definition. The department also may make an exception to the Need prioritization for any project with committed federal funds for development which also includes operating or rental assistance funding. Additionally, applicants proposing projects in communities that are not a #1 priority for construction of workforce housing can receive a Priority 1 by proposing an acquisition/rehabilitation project serving low-income community residents.

The second general category is special needs that are further defined by the following populations:

- Alcohol & Drug Rehab.
- Chronically Homeless
- Homeless
- Persons with a presence of a disability
- Domestic Violence
- Elderly
- Frail Elderly
- Farm worker
- HIV/AIDS
- Released Offenders

For special needs housing, the department compared population numbers for each group with the number of housing units that have been financed by OHCS, HUD, RD and local jurisdictions for that population. The priorities 1, 2, and 3 are determined by finding the natural break points in percent of the population being served. Please note that the results are different for each county. Applicants can look at their respective county's charts to see the logical break points.

The third category of housing need is rent-burdened workforce households, which are defined by the following:

- Renter household earning 30% - 60% area median income.
- More than 30% of the household gross income spent for housing.

The priority levels for rent burdened workforce households was determined by comparing communities' and counties' percentage of rent burdened households between 30 and 60% of area median income (AMI) with the statewide average for rent-burdened households of the same AMI.

Any community or county whose percentage of rent burdened residents exceeded the statewide average received a #1 priority. The remaining cities and counties were divided into priority 2 and 3.

A community may believe they have more accurate information for either special needs or workforce housing than is represented in OHCS' research. Also, an applicant may wish to develop housing for a special needs population which isn't represented in the above list because it is specific to a location or group. A Request for Reassignment form has been included in the application to request approval for a change in priority level or to serve an alternative population. The form must provide sufficient supporting data and data sources for the department to complete a review of the request. The Instructions Section of the application describes the requirements for submitting the request form to the department.

The need for a project is different than the market for the project. The two should not be confused. "Need" is an analysis to determine which populations in a community are the most underserved, realizing there may be a market for many populations, but a higher need for specified populations.

The department's research methodology and results are posted on the OHCS web site. These will be revised from time to time as updated information is reviewed. The department welcomes any additional data that can be provided by applicants or local jurisdictions.

Review Criteria

Many factors are considered in weighing projects for funding reservation. Applications will be evaluated on how well they meet review criteria in the following areas. Criteria are listed in the order in which they are presented in the application and not in order of importance. The Instructions Section provides additional detailed information about the requirements of each section.

Part 1: Submittal documents

While this section does not have specific points assigned to it, the information provided will be taken into consideration when scoring the application. If any required documents are missing or incomplete, the review team will consider the presented materials as best able.

Part 2: Threshold (Pass/Fail)

- The Threshold Review will examine the project's zoning, site control, environmental review checklist and architectural submissions to determine if they meet the department's requirements as stated below. All required materials must be provided and be complete. Any project in which any one of the four areas is not addressed as required will fail the Threshold Review and will be pulled from the remainder of the CFC review process.
- <u>Zoning.</u> Using the department's form is a requirement. Excerpts from the zone code will not substitute for the zoning certificate. Projects requiring zone changes or annexations will not meet threshold.
- <u>Site Control.</u> All applicants must demonstrate legal control of the project site at time of application. Evidence of site control can include the following: fee simple title (warranty deed); documentation from the local government demonstrating its intent to transfer property and under what circumstances; an agreement or letter of intent between the landowner and sponsor to enter into a ground lease. (Note: The Department must approve the ground lease before it is executed AND any ground lease negotiated prior to the completion of a HOME environmental review could jeopardize using HOME funds in a project); sales agreement or option on the property. The acceptable term of the sales agreement or option is dependent upon the type of financing that will be used to purchase the property.
    1. Options and sales agreements must (at a minimum) be valid through September 1 for Spring applications and March 1 for Fall applications when:
        a. HOME funding is a project resource. This allows the timelines for conditions of reservation to be met and the HOME environmental review to be completed before the property is acquired with any resource.
        b. other CFC funding will be used to acquire the property. This assures time for the applicant to meet conditions of reservation before CFC funds are disbursed.
    2. Options and sales agreements must be valid through July 1 for Spring applications and January 1 for Fall applications if funds other than those requested through the CFC application are being used for acquisition.

Under certain limited circumstances, site control exceptions may be reviewed by OHCS. Approval of any exception must be channeled through your RAD and delivered to the Housing Division Administrator no later than two weeks prior to application deadline. Should the exception be allowed, an approval letter will be forwarded to the applicant for inclusion with the application.

- Site review and preliminary environmental review. Applicants should refer to the application time schedule for exact deadlines for completion.
- Architectural Standards. Only the architectural plans specifically listed on the Application Submittal Checklist are to be submitted with the Application. If additional plans are provided, they will not be reviewed. Submitted plans will be reviewed during the Threshold Review by the department architect, division administrator and department director to confirm that the appropriate documents have been submitted and are satisfactory. The Threshold section also provides two exemption forms that the applicant may use to request exemptions from visitability requirements and minimum or maximum unit floor areas or using single-level two bedroom/two-bath designs. These exemption requests will be examined by the department architect during the Threshold Review. If an exemption request is not approved, the denial of the request will not be considered in the department's Threshold review.
  NOTE: the architectural requirements have been amended to better state department intentions. Applicants and their architects are advised to review these revised standards.
- A number of independent documents are required to be provided for the Threshold review. It is expected that these materials will be included in the Threshold Section as indicated on the Application Submittal Checklist.

Part 3: Applicant and Project Information

- The purpose of this section is to familiarize the reviewer with the applicant and the project in a format that is easy and quick for the reviewer to read. The "Site and Building Information" pages are informational only and should not be confused with the requirements of the OHCS Architectural Standards.
- Information will be used to score other sections. If any required documentation is missing, incomplete, or inconsistent with information given in other sections of the application, the reviewer will consider the discrepancy during his/her scoring of the remainder of the application. Errors or discrepancies with the rest of the application may result in a lowered score in a related section of the application and/or reservation condition(s) if the application is awarded funding.

Part 4: Narrative Question

- The Narrative Question is the applicant's opportunity to tell the reviewers what's important about their project. This information will help the reviewer understand the project as the reviewer reads the rest of the application.
- No specific points are assigned to this section. While it isn't scored, the information provided will be considered when scoring other sections of the application. Information provided in the Narrative which is inconsistent with project description in other parts of the application could result in a lower score in a related section of the application and/or reservation condition(s) if the application is awarded funding.

Part 5: Self-Scored Section (100 Points)

- The Self-Scored Section is designed to measure readiness to proceed and compatibility with the department's priorities. It will allow the applicant to know how the application ranks on those criteria before he/she submits the application for consideration.
- The applicant is required to provide specific materials to verify the self-score. During the scoring process, the reviewers will include an examination of these materials to confirm the applicant completed the self-scoring without errors. If OHCS determines a question was

answered incorrectly, an adjustment in points will be made, which could change the applicant's final score and ranking. It's important that the applicant complete the Self-Scored section carefully and include all required back-up materials.

Part 6: Resident Services (10 Points)
The Resident Services Section will be scored on the following:
- Description of target population (employment, education, financial demographics, etc.) and their needs
- Services appropriate to meet the needs of the target population
- Description of proposed services including projected results in measurable terms
- Extent of collaboration and coordination of ongoing services after project completion

Part 7: Market and Rent Assessment (25 Points)
The Market and Rent Assessment Section will be scored on the following:
- Market area description
- Analysis of market trends
- Evaluation and understanding of the local affordable housing need
- Measurable differences in proposed rents and market rents (preference for a minimum of 10% below market rents)
- Compliance with the Consolidated Plan or local plans
- Impact on existing affordable housing developments
- Required independent materials are included and are complete and accurate

Part 8: Sponsor Capacity (25 Points)
The Sponsor Capacity Section will be scored on the following:
- Sponsor's experience developing and owning housing
- Development team's experience developing housing
- Readiness of sponsor's entity to develop and maintain the project

Part 9: Financial Feasibility and Readiness to Proceed (30 Points)
This section will be scored on the following:
- Level of commitment of other resources
- Status of communication with HUD or RD
- Level of planning for tenant relocation
- Appropriateness of the project for the targeted population(s)
- Need for our funding
- Reasonable request and demonstrated need of program resources
- Reasonableness of budget assumptions
- Reasonableness of construction and development costs for the construction type
- Development fee reasonableness
- Required cost estimation materials are included and are complete and accurate.

Part 10: Pro Forma Spreadsheets (Scored with other sections)
The pro forma will be scored on the following:
- Development and operating budgets reflect the project as represented in the application
- Eligible uses of resources
- Project's long-term financial viability meets department's underwriting requirements
- Financial data and methodology are acceptable and explained in the application

Part 11: Construction Cost Documents (Scored with other sections)
- This section is not scored. However, the documents are used in the review of 1) the Self-Scored Section, 2) Architectural Standards in the Threshold Section, and 3) review of

construction costs indicated on the development budget in relation to the scope of work and project costs.
- Documents should reflect the costs represented in the application
- Documents should be a complete, accurate and up to date indicator of the proposed project costs

Parts 12, 13, and 14: Compliance with Programmatic Requirements (10 Points)
These sections will be scored on the following:
- Period of affordability meets program requirements
- Proposed tenant incomes and rent levels meet program requirements
- Federally or state-mandated program requirements are met
- Funds are used for eligible costs
- Supplemental forms are complete and accurate
- Required independent materials are included and are complete and accurate
- Multiple funding sources work compatibly in project.

Merit and Feasibility
Funds will be reserved to projects based on the overall merit and feasibility of a project proposal. Funds will be reserved in amounts necessary to ensure financial feasibility. The department reserves the right to adjust the amount of funding, if appropriate, and to negotiate modifications to the proposed plan and budget prior to firm commitment.

Tie-Breaker Policy

The department has a standardized tie-breaker policy for use when two or more projects rank the same and funding sources are too limited to fund all projects. The tie-breaker will take into consideration all of the following criteria, none of which is in priority order.
- Project requesting the amount of OHCS funding sources and credits closest to the amount of resources still available,
- Project which provides the most units having project-based rental subsidy,
- Project which uses the lowest percentage of OHCS resources per square foot, and
- Project with the highest priority category of Need for Project.

Results of the review will be presented to the Director for final determination.

Funding Reservations and 75 Day Timeline

Approved projects will receive a reservation of funds, subject in some cases to the approval of the State Housing Council. Project sponsors who receive a reservation will have a maximum 75 days in which to submit additional materials and fulfill specific project milestones. Sponsors will receive a Reservation Letter detailing the documents they must provide within the 75 day period, and a second Conditions of Funding Letter to resolve programmatic or underwriting concerns. All projects funded in this round will be presented to a designated committee of senior management who will review the status of each project in completing the requirements of the Reservation Letter within the 75 day deadline. If the project is not progressing, management will determine if funding should be rescinded. If rescinded, OHCS administration will review the waiting list and can award funding to another project. Subsequent projects will be subject to the same 75 day process and can have their funding revoked if the sponsor does not meet the 75 day requirements.

Requirements of 75 Day Period
A key component of the 75 day requirement is confirmation of the total project cost. It is expected that the sponsor will have conducted his/her initial meeting with the planning jurisdiction and have re-examined the project costs with the project architect and contractor before the 75 days expire. Examples of items that must be satisfied by the deadline <u>(if they are applicable to the project)</u> include:
- The Reservation Letter, signed

- Evidence the sponsor has an established working relationship with a permanent lender
- Evidence the construction lender has ordered an appraisal
- Letter of conditional commitment from equity investor
- Any updated site control documentation
- Status of Conditional Use Permit or other zoning issue
- Phase 1 environmental study executive summary
- Geotech report executive summary or Pest and Dry Rot report
- Summary of the development team's initial meeting with the planning jurisdiction
- Confirmation of the total project cost, detailing any changes resulting from the initial planning meeting
- Updated project schedule
- Confirmation of rents to be charged and income levels to be served
- Proof of status of negotiations with HUD or RD

Availability of Funds
In general, project sponsors who receive reservations should not expect to draw funds until all materials required in the 75 day period have been submitted and are deemed satisfactory by OHCS. The department may make an exception of up to 50 percent of the Housing Development Grant Program award, subject to department pre-approval of the costs to be reimbursed.

Changes to Scope of Project During or After Award
Funding awards will be based upon reasonable, but not entirely firm project concepts, therefore limited amendments to the scope or nature of a project will be permitted with prior OHCS approval. These may include minor adjustments to number of units, costs, unit sizes and site design. Changes in the scope of the project including a new site (the LIHTC program does not permit change of site after carryover) or substantial changes in ownership, the number of units, income level, population to be served, or the amount of department funding requested **will require the approval of the department's Finance Committee.** The committee reserves the right to request the award be revoked. The sponsor should not make any decisions regarding a change in the project's concept without including OHCS in the revision process.

Section 3: OHCS Performance Measurements and Preferences

OHCS PERFORMANCE MEASUREMENTS AND PREFERENCES

Performance Measurements

In response to the 01-03 Legislature and the benchmarks established by Oregon Progress Board, OHCS developed housing goals to measure our performance in the use of the grant and tax credit resources and in the production of special needs housing.

Affordable Rental Housing

An agency goal is to reduce housing insecurity and homelessness in Oregon by reducing the percentage of Oregon households below median income spending more than 30% of their income on housing.

In developing these performance measures, OHCS took the following things into consideration:

- How the grant and tax credit resources have historically been allocated to projects serving very low and low-income households.
- The increase in Low Income Housing Tax Credits and the reduction of other subsidies which might result in more units serving households at 60% of median income.

It is therefore the goal of OHCS in allocating tax credit and grant resources that the percentage of housing units developed on a statewide basis through the Consolidated Funding Cycle and other processes meet the following criteria:

- 10% of the units provide affordable rents for persons 30% of median income or below
- 13% of the units provide affordable rents for persons 31-40% of median income
- 35% of the units provide affordable rents for persons 41-50% of median income
- 35% of the units provide affordable rents for persons 51-60% of median income

Performance Measurement (based on state fiscal year)	**2003**	**2004**	**2005**	**2006**	**2007**	**Target**
The percentage of housing units developed through the Department's Consolidated Funding Cycle and other processes that provide affordable rental opportunities for individuals at						
A) 51-60% area median income	26.0%	24.4%	13.0%	36.4%	41%	**35%**
B) 41-50% area median income	36.4%	42.8%	31.4%	40.8%	40%	**35%**
C) 31-40% area median income	2.8%	19.1%	12.3%	15.2%	3%	**13%**
D) 30% area median income or below	31.8%	13.1%	36.3%	7.2%	12%	**10%**
E) 80% or Not Income Qualified (i.e. manager's unit)					4%	

Special needs housing

Another goal is to decrease the percentage of Oregonians with special needs who are without permanent housing and to provide housing and access to services to increase their self-sufficiency. The targeted goal is that 50% of the housing units developed on a statewide basis through grants, tax credits, and tax-exempt bond financed programs will provide housing for persons with special needs, such as those populations who are disabled, victims of domestic violence, the elderly, ex-offenders, farmworkers, homeless individuals and families, persons with mental illness, and persons in recovery from drug and alcohol addictions.

Performance Measurement	**2003**	**2004**	**2005**	**2006**	**2007**	**Target**
The percentage of housing units developed that provide rental opportunities for individuals with special needs.	37.8%	23.9%	41.5%	26.6%	52%	**50.0%**

Department Set-Asides

The department offers a 30% set aside of various funding sources available in each CFC round. At least 25% of the project units must provide housing for the targeted population for the application to qualify for the set-aside allocation.

OHCS set asides reflect the housing goals and preferences derived from the department's biennial strategic plan goals. For the Spring 2009 CFC, a 30% set aside will be available for developments that will:

- house the homeless through permanent housing opportunities,
- preserve, through acquisition and rehabilitation, projects with at least 25% of the units having HUD or RD project-based rental assistance with rents below market rent. Expiring LIHTC projects will also be considered, and
- house developmentally disabled adults leaving, or needing to leave, households with aging parents.

The definitions of homeless populations and preservation projects qualifying under the 30% set asides are:

<u>HOMELESS, CHRONICALLY HOMELESS, AND/OR PERSONS AT RISK OF HOMELESSNESS:</u>
The department will apply the homelessness definition adopted by Oregon's Ending Homeless Advisory Council (EHAC) as part of the state's ten year plan to end homelessness: "A Home for Hope". The Council defines homelessness as being without a decent, safe, stable and permanent place to live that is fit for human habitation. People experiencing homelessness, under the EHAC definition, include more than people living on the street. Also eligible are people who:

- share the housing of other persons due to loss of housing, economic hardship, personal safety, or a similar reason
- live in motels, hotels, trailer parks, or camping grounds because they lack adequate alternative housing
- live in emergency or transitional shelters
- have been abandoned in hospitals
- await foster care placement
- sleep in a public or private place not designed for or ordinarily used as a regular sleeping place for human beings
- live in cars, parks, public spaces, abandoned buildings, substandard housing, bus or train stations, or similar settings
- face impending eviction from a private dwelling unit and have not found a subsequent residence and the person lacks the resources and support networks needed to obtain housing
- face discharge within a week from an institution in which the person has been a resident for 30 or more consecutive days and for whom no subsequent residence has been identified and s/he lacks the resources and support networks needed to obtain housing.
- Migrant children between the ages of 3 and 21 qualify as homeless when they live in the circumstances described above.

NOTE: Although not specifically mentioned in the above, permanent housing for victims of domestic violence experiencing homelessness qualify under this set-aside.

<u>PRESERVATION</u>:
Preservation projects include, but are not limited to:

- those federally financed existing projects where at least 25% of the existing project's units have project based rental assistance. Projects participating in, but not limited to the following programs, are considered federally financed: HUD and USDA Rural Development;

- projects participating in programs that include the replacement of existing affordable housing units including the HOPE VI program as long as 25% of the units have project based assistance; or
- Expiring LIHTC projects if proposed rents are at least 10% below market.
  In funding preservation projects, the Department will give preference to those preservation projects where at least 25% of the units have project based rental assistance.

It is our intent, if possible, to assure geographic distribution by limiting the award in each RAD region to no more than 30% of the total set aside.

Department Preferences
In addition to providing funding under the 30% set aside, the department has established the following preferences of project characteristics:

- The proposed affordable rents are a minimum of 10% below and preferably 20% below local market rents. Exceptions can be made for communities that lack new construction, have low vacancy rates and document a need for standard housing. The preference for below market rents is not intended to preclude the development of mixed-income housing.
- The developments include resident services appropriate to the tenant population designed to enhance resident self-sufficiency and the long-term viability of the development. Resident services may be included as an income and expense item. For developments of twenty units and over, community space designated for resident services is an appropriate development cost item. Department policies regarding resident services can be found later in this Section
- The population chosen has a clearly identified unmet need for housing. Applications providing housing for populations whose affordable housing needs have largely been satisfied by the market or other affordable housing developments will not compete as well.
- The proposed housing preserves existing affordable housing units. Other factors in preservation include the overall expense as compared to new construction, adequate and well thought out rehabilitation schedules, the preservation of existing tenants' rental assistance and the resulting benefits to community revitalization.
- Each of the grant and tax credit programs administered by OHCS features income eligibility requirements. While the department has not set more restrictive income eligibility levels than its programs require, it does have a preference for projects which serve unmet need of the low/lowest income populations identified in the applicant's market research.
- There is a focus on unit designs that meet the needs of the residents and project sites that are in locations close to employment, businesses and applicable tenant services.
- While maintaining aesthetic and livable standards, it is OHCS' objective to fund as many proposals as possible. Because funds are limited, cost per unit and construction cost per square foot are important factors in weighing applications. OHCS recognizes the variability in construction and land acquisition costs. Land acquisition costs, "hard" construction costs and "soft" construction costs will be identified separately and compared to area standards and other projects when being reviewed.
- Regardless of the Department funding source being requested, the Department discourages permanent or temporary displacement of tenants (residential or commercial/retail), who currently occupy the proposed project.

Tenant Income Qualifying
OHCS shall, when awarding public funds for low-income rental housing, give a substantial preference to low-income housing providers who do not require applicants for such housing to have net income greater than two times the rent. For purposes of implementation, net income is

defined as that portion of a household's income remaining after standard employee deductions (e.g. taxes and SS payments). This definition is <u>not</u> the same as adjusted gross incomes utilized by housing authorities or Section 8 programs. Opportunity to select this option is available in the Self-Scored Section. Eight points will be given to sponsors who select this option.

Each of the grant and tax credit programs administered by OHCS features income eligibility requirements. The department has not set more restrictive income eligibility levels than its programs require.

Community Support

It is recognized having community support can help reduce the "NIMBY" issues that may accompany an affordable housing project. The Self-Scored Section gives the applicant an opportunity to earn points for providing written support letters from the community.

Mass Transit and Urban Growth

In order to make use of the existing transportation infrastructure and minimize development beyond urban growth boundaries, sponsors of affordable housing projects in urban areas of the state are encouraged to take advantage of "infill" sites and development opportunities which are located within ¼ mile of a public transportation line. Communities affected by this policy will be within the boundary of an existing municipal transit district and have transit service.

Site Preferences

Sponsors are encouraged to locate sites which:

- Provide tenants with ready access to transportation, commercial and social services
- Are not located adjacent to freeways, railroads, industrial or other noise generators and hazards such as potentially explosive storage tanks
- Avoid excess developmental costs due to slope, terrain, drainage, wetlands, floodplains or other issues
- Do not have excessive fill material (unless documentation is provided on engineered soil compaction)

For more information regarding OHCS' preferences and policies which apply to the LIHTC Program, please consult the current Qualified Allocation Plan.

Section 4: OHCS Policies, Standards and Requirements

OHCS POLICIES, STANDARDS AND REQUIREMENTS

The following OHCS policies, rules or guiding principles apply to all projects receiving any CFC resources. These policies define the department's expectations during construction and throughout the period of affordability.

75 Day Period
OHCS' funding sources are limited and CFC competitive rounds are routinely oversubscribed. In an effort to best use the available funding, OHCS staff will look for those projects which are most ready to proceed. The department has initiated a process in which applicants receiving funding reservations have a maximum of 75 days in which to complete specific requirements. They must ensure their project costs have accurately been identified, their development team is secured, and the project is ready to proceed. Projects not meeting the reservation requirements will be subject to a revocation of the CFC funds.

Limitation for Submission of LIHTC Applications
All applications for LIHTC must include a Market Study prepared by an approved market analyst submitted with the application.

Revocation of a Reservation

OHCS may revoke the reservation if a state-ordered market assessment does not support the proposed development or the market information provided with the application. OHCS may also revoke a reservation in other instances, including: 1) the applicant does not complete all development milestones within the agreed upon time period; 2) information has been falsely represented; or 3) a project has substantially changed in purpose or scope from that presented in the application.

Rescinded funds may be re-allocated to a previously submitted project. Should a funding reservation be rescinded, the applicant may re-apply and re-compete for financing in a subsequent CFC cycle.

Readiness to Proceed
Because of the oversubscription of available funding through the CFC process, the department must choose for funding those projects which best use the limited funding sources. One area of examination is the project's readiness to proceed. OHCS' goal is that the project be ready to start construction no later than one year from CFC award. OHCS understands there are sometimes circumstances in development which take the project beyond this timeline. Those will be considered if they are fully explained in the application and seem reasonable. However, the department expects that certain pre-development activities be undertaken, i.e. sponsor has made contact and is negotiating the transfer process with HUD or RD, prior to submission of the CFC application.

Purchase of USDA Rural Development Properties

When negotiating the purchase of a Rural Development (RD) property, the applicant or buyer should sign a purchase agreement dependent on RD's approval of the price. RD may reduce the value of the building by any deferred maintenance and/or cost to make units accessible, which would result in a decrease in the sales price. OHCS will only acknowledge the RD-approved sales price.

Purchase of HUD Section 8 Properties
Any sponsor proposing to acquire and rehabilitate a project which currently has an OHCS mortgage and project-based Section 8 contract, must take certain steps prior to submission of the CFC application. These are:

- notify your RAD of your intent to purchase the property.
- 60 – 90 days prior to CFC application, submit a letter to the department, requesting approval to pre-pay the existing mortgage and determine the pre-payment penalty; and
- notify the Asset Performance Section of OHCS.

Designation of BETC Credit
Projects with energy components that exceed code, that use renewable energy, or that use alternative energy sources may be eligible for state BETC energy credits through the Oregon Department of Energy. If you indicate on the application that you will not be pursuing BETC credits, thereby waiving the BETC credits, OHCS may pursue any BETC credit from the project. The resulting funds may be used for appropriate affordable housing or weatherization programs at OHCS. A project's regular funding will not be diminished due to any recovery of BETC dollars by OHCS.

Expectations Training

All sponsors of projects receiving funding awards will be required to participate in trainings about department expectations at least once. A representative of the agency board as well as the agency director and/or housing developer are encouraged to attend. Attendance is a condition of reservation. The Conditions of Funding letter will inform the awardees of the scheduled dates, time and locations.

Awards to Property Owner
Grants, loans and tax credits will be awarded and disbursed to the owner of the property being acquired, rehabilitated or constructed with these resources. The owner will be required to execute written legally binding agreements with OHCS and will be responsible for complying with all terms and conditions during development and operation throughout the period of affordability. OHCS has standard grant, loan and tax credit documents that generally are not open to modification. Copies of sample documents will be forwarded to you and should be immediately reviewed by you and your legal counsel to acquaint yourselves with the program obligations. Should requests be made by you or your legal counsel to modify any language in the documents, you will be obligated for reasonable legal costs incurred by OHCS in considering such modifications.

The only exception to the owner executing OHCS resources documents and receiving disbursement of funds will be when a limited liability corporation or limited partnership is the legal owner of the property. In these circumstances, the authorized agent for the ownership entity may direct the department to award and disburse resources to the managing partner of the organization in lieu of directly to the ownership entity.

Participatory Requirements
All recipients of OHCS funds will be expected to comply with the following. Meeting these expectations will be a measure of sponsor capacity in future department applications:

- Compliance with the Fair Housing Act of 1988. You should research the Fair Housing Act to ensure the project is in compliance. A summary of the requirements of the Act may be obtained at http://www.usdoj.gov/crt/housing/fairhousing/about_fairhousingact.htm or the Fair Housing office.

- Adherence to all federal, state and program regulations applicable to the recipient organization and the proposed project.

- Submission of Progress Reports on a monthly basis beginning one month after receiving reservation and continuing to completion of the project.

- Grant disbursements must be requested on the OHCS Drawdown Request form and must include satisfactory back up documentation, such as invoices, billings, and paid receipts.

- Display the OHCS logo when a project is marketed/promoted. For HOME projects, in addition to the contributors listed on the sign, sponsors must include the contribution of HOME funds under the U.S. Department of Housing and Urban Development, in lettering no smaller than that used to acknowledge other contributors to the project.

- Oregon Housing and Community Services shall be listed by name on all materials where the contributors are listed by name.

Material Participation by Nonprofit Organizations

For co-general partnerships between for-profit and nonprofit entities and especially for applicants who wish to be considered for the federally mandated 10% set-aside for tax-exempt organizations, the nonprofit sponsor must materially participate in the development and operation of the project throughout the compliance period. It is also required that the nonprofit not be controlled or managed by a for-profit organization. Material participation requirements include: 1) sharing in developer fees and excess cash flows (a minimum of 25% to the nonprofit partner); 2) participation in project development and oversight; and 3) participation in application preparation.

Requirements of the Bureau of Labor and Industries

Recipients are required to comply with the current state prevailing wages law, if applicable. Questions about the interpretation of state prevailing wages law as it relates to your project should be referred to BOLI.

Your project may be subject to state prevailing wages if all or part of the project is deemed to be a public works project. This determination might be made, for example, if you are a public agency, such as a housing authority, and you undertake to construct or contract for the construction of all or part of a project with any amount of public funds.

Your project also may be subject to state prevailing wages if your project receives $750,000 or more in public funds and if the project meets any of the following:

- Less than 60% of the occupants have incomes less or equal to 60% of area median income;
- The building is more than four stories high (unless there is a local building code exemption); or
- The overall project includes portions, even if not constructed or contracted for construction by you that may be deemed public works, i.e., a “mixed-use” project.

At any time during development, any change in your project could cause the coverage determination to be void. You should request updated determinations from BOLI as necessary.

This notice is intended to be advisory only and does not constitute legal advice. OHCS does not assume responsibility for the determination of prevailing wages status on projects.

Be aware OHCS will not approve requests for funding increases to fill gaps resulting from non-budgeted prevailing wage requirements. The department specifically reserves the right to revise its reservation of funds for this project if any BOLI-related funding gap should exist or arise.

Affirmative Outreach

The department encourages sponsors to use affirmative outreach practices when developing affordable housing projects. Demonstration of efforts to employ minority, women-owned and Section 3 businesses will be reported to the department no later than completion of the project.

Religious Requirements and Government-Funded Projects

When using state or federal dollars to fund projects sponsored by religious entities, it is important not to require tenants' participation in religious activities, as this constitutes an improper establishment of religion. As an example, tenants cannot be required to attend any type of religious service, study or activity on site or at any specified church or religious denomination. Other religious requirements may also not be allowable at government-funded projects.

If you are a religious entity-based sponsor whose mission will require tenants to follow certain religious rules and regulations, we suggest you talk to your RAD in depth prior to submitting an application.

Sustainability and Housing

"Sustainability" means simultaneously meeting Oregon's economic, environmental, and community needs in a way that preserves resources and enhances the quality of life of future generations.

In recent years, the state has placed a greater emphasis on sustainability. In 2001, the Legislature passed The Oregon Sustainability Act (HB 3948). Both the present and past Governor passed Executive Orders relating to Sustainability. Currently the Governor is calling for state agencies to take a leading role in promoting sustainable practices throughout the state. A central site for information on Sustainability in Oregon is provided on the Sustainable Oregon web site at http://sustainableoregon.net/.

OHCS' overall Sustainability Goal is to instill sustainability values in our employees and housing partners, resulting in the sustainable development and placement of affordable housing projects and the maximization of programs furthering community and individual sustainability.

Through the Consolidated Funding Cycle prioritization process, the department has encouraged "smart growth" through project development that is proximate to employment, commercial and social services, and that is friendly to the environment. Many of these are in-fill projects that use existing infrastructure. These efforts promote environmental and economic Sustainability throughout the state.

Visitability is important in sustaining a project. Visitable units provide more sustainable housing for the elderly and persons with mobility impairments through construction improvements to entranceways, hallways, and bathrooms. Visitability requisites are included in the Architectural Standards section.

Sustainable Building Practices / Green Building

In keeping with the State Sustainability Objectives, OHCS strongly encourages sponsors to consider utilizing green building/sustainability techniques as part of the ongoing efforts to improve the quality of affordable housing developed with state and federal funding. Public awareness is increasing regarding building design, construction and operation impact on the natural and human environment. Consumers have begun to expect builders to be more sensitive to these impacts. Projects constructed using green building concepts encourage a wise use of public resources, including the following:

- Less pollution
- Less loss of natural habitat
- Conservation of building materials
- Less energy cost
- Better indoor environment for occupants

The application now includes an opportunity to receive 10 scoring points for using specified green building activities in your project.   A detailed description is provided in the Architectural Standards section of the application.

Costs associated with either implementing a green building plan or consultation in the development of a plan are eligible for reimbursement if the project receives a reservation of funding, and should be detailed in the Financial Feasibility Section of the application.

High Speed Internet Access

OHCS believes low-income persons can improve their standard of living through computer literacy by having greater access to services and information and the computer skills required in today's job market. OHCS expects the project owner to provide access to computers and the internet; however, projects will no longer be required to provide high speed shared data internet connection to each unit. Sponsors should still consider computer access in the marketability of units and may want to consider some type of access for their tenants.

Submission of Draw Requests

Sponsors will be encouraged to group invoices together to create draw requests for large amounts, if possible. The processing of draw requests is a cost to the department, and we will discourage any draw requesting less than $1,000.   Additionally, if a draw request is received which leaves less than $1,000 in available funds, the sponsor will be instructed to increase the draw request to include the balance of the account.

Developer's Fees

OHCS acknowledges the need for applicants to include fees which support sound development practices and help develop capacity. The developer fee includes other project "soft" costs (e.g. development consultant fees, project management fees, developer's overhead and profit, etc.), and any developer's fees chosen to be deferred.   Development consultant fees do not include typical professional services such as architectural, engineering, accounting, legal and other similar services. OHCS has established a maximum developer fee (<u>including the consultant and other fees mentioned above</u>) of 15% on all projects.

The calculation of developer's fees, as a percentage of project cost, must net out the development fee from the total project cost. To calculate developer's fees as a percentage of project cost, first deduct the developer's fee from the total project costs. Then divide the proposed fee by the project costs less the developer's fee.

The Uses of Funding worksheet includes a "Third Party Construction Management Fee" line item. If you will be hiring an unrelated third party for the sole purpose of overseeing the construction phase, that cost will be held separate from the costs included in the developer fee calculation. However, if the consultant, sponsor, co-applicant, or any other related party will receive compensation for construction oversight, that payment will be considered part of the developer fee. If your project receives an award of funds, you will be asked to submit a copy of the third party contract to the department.

The reasonableness of fees will be evaluated based on the risk and complexity of the proposed development. The following is a general framework adopted by the department to determine developer's fee reasonableness:

Low degree of complexity Minimal layers of funding Project size over 50 units Excellent site Repetitive project plan **Normally 5-8% Developer Fee**

Mid-range complexity Average layers of funding Project size 35-50 units **Normally 9-12 % Developer Fee**

High degree of complexity Special needs population Multiple layers of funding Project size 1-35 units **Normally 13-15% Developer Fee**

These are guidelines. It is highly likely that a development may cross over two or all three categories. Applicants should use these tables to support a selected developer's fee. It is important to remember the department is requesting sponsors to demonstrate the reasonableness of their fees and not the minimization of fees. Other funders will have an interest in the reasonableness of developer's fees, as the fees are considered a secondary source of contingency funding. Additional factors in determining a reasonable developer's fee can include sponsor cash at risk and the cash flow projections of the project.

Higher cash investments or lower cash flows are justifications for higher fees. Applicants with complex acquisitions such as expiring use projects or projects with Uniform Relocation Act (URA) requirements (see the HOME Program Description portion of this application) may be able to justify a higher developer's fee due to the complexity of the transaction. In such instances, it is recommended that the department's approval be requested and obtained prior to submission of the application. Sponsors should contact their RAD for more information. In instances of grants or loans in excess of $100,000, the final determination of developer fee reasonableness will be made by the department's Finance Committee and the State Housing Council. Regardless of circumstances, fees in excess of 15% will not be allowed.

Any change in fees must be justified by a change of scope of the development. Sponsors failing to request prior approval to change their fee are at risk of department resources being recaptured.

Developer's fees for acquisition and rehabilitation projects will be calculated for reasonableness regarding acquisition and all other costs. In general, developer's fees will be limited as follows:

- a maximum of 5% of the acquisition cost
- fees for all other costs, including rehabilitation, will be defined by the above tables.

For Example: A 60 unit project with an acquisition cost of $2,000,000 and a rehabilitation budget of $1,000,000 could have the following maximum developer's fee:		
Acquisition expense $2,000,000 X 5%	=	$100,000
Rehabilitation expense $1,000,000 X 8%	=	$80,000
Total developer's fee	=	$180,000

Deferred developer's fees will not be included in computations for the reasonableness of the proposed fee. Deferred developer's fees are only those fees dependent on cash flow and not fees date certain or dependent on a particular event. Under no circumstances can the combined total of deferred fees and fees earned through the course of construction exceed the **maximum of 15%**. To be included in tax credit basis, deferred developer fees must be due and payable at a date certain generally within a time period that does not exceed 15 years.

Amounts presented in the original application regarding deferred developer fees will be expected to remain as the assumptions used for the final application review and/or final cost certifications. Any change in fees must be justified by a change of scope of the development. Sponsors failing to request prior approval to change their fee are at risk of department resources being recaptured.

Sponsor Capacity

It is OHCS' policy that the scope and scale of proposed projects correlate to the sponsor's or their development team's experience. This is intended to help prevent project delays and to minimize need for additional resources.

The sponsor is the primary customer who is the affordable housing owner/applicant. This can be the managing general partner of a to-be-formed limited partnership. It is the owning entity responsible for the day to day management of the real estate asset. Sponsor capacity implies demonstration of the essential factors that lead to ongoing owner and project financial and program success. Some key success factors that define sponsor capacity include:

- Specific prior experience in developing and managing a similar real estate project successfully.
- A certification of understanding of development expectations and the specified roles for development team members.
- Specific prior experience in successfully implementing similar department programs.
- Specific demonstrated experience in managing the development process (finance packaging, project design, pricing, rent up/marketing, and construction management).
- Demonstrated property management knowledge including program reporting or the demonstrated experience to supervise a management agent for program compliance and asset management.
- Demonstrated organizational financial capacity (cash or cash equivalent) to weather potential project difficulty.
- Professional staff who contribute to generally accepted good business practices.
- Community linkages that support the development and the provision of resident services.
- A business plan that supports affordable housing as an outcome.

Previous Performance as Selection Criteria

OHCS evaluates sponsor capacity on past and present performance. The ability of a sponsor to develop a project according to schedule and budget will be reviewed during the ranking process for this and future applications. Additionally, delays or cost overruns that are attributable to project management may limit or disqualify the sponsor from accessing additional funding resources from the Department for the project.

OHCS has also created an assessment tool to measure an organization's financial stability as well as their capacity to develop the proposed project and manage the asset. The purpose of the assessment is to provide technical assistance and increase sponsor performance. It can assist the sponsor in identifying potential areas that may need improvement. For more information, please consult your RAD.

Property Management Capacity

Property management is important to the ongoing financial viability of any project. After initial reservation and before final funding award, sponsors will be required to demonstrate property management experience either through the use of a professional management firm or an individual with relevant property management experience. Evaluation of the proposed Management Agent's Qualifications and Plan will include reviewing the management team's experience and track record in managing comparable projects; adequacy of staffing to manage the applicant's portfolio; non-discriminatory housing practices; references; and a history of maintaining decent, safe and sanitary housing. The individuals participating in professional real estate activities must have a real estate license as defined and determined by Chapter 696 of the Oregon Revised Statutes.

Resident Services Requirements

Sponsors who receive department resources must include in their development a provision for residents to access services appropriate to the identified needs of the population.

Resident Services Policy Statement

The anticipated outcomes and overall goals of the Resident Services Plan are:

- Through coordination, collaboration, and community linkages, residents will be provided the opportunity to access appropriate services which promote self-sufficiency, maintain independent living, and support them in making positive life choices; and

- To effectively maintain the fiscal and physical viability of the development by incorporating into the ongoing management the appropriate services to address resident issues as they arise.

OHCS has long recognized resident services as an integral part of the ongoing success of affordable housing developments. Not only are appropriate services important and empowering to residents, but they bring benefit to project management, to the project sponsor, and to the local community as well. An effective Resident Service Plan adds to a development's marketability, and can be advertised as an added amenity. Service coordination establishes important links with providers, which can result in positive community exposure. A Resident Services Plan can improve cash flow by reducing turnover, evictions, and the resulting vacancy loss. An effective plan includes a provision for crisis prevention, resulting in savings in physical damage to units, unpaid rent, and lease violations.

When developing a Resident Services Plan consider these general guidelines:

- *General low-income population* support and services may include improving residents' ability to maintain their lease obligations, enhance quality of life through programs for employment, education, income/asset building, child and youth development, community building and improving access to services.

- *Elderly support and services* could include improving residents' ability to uphold their lease throughout the aging process through better access to health and other services, enhanced quality of life through community building, socialization, and other programs.

- Support and services for *special needs population* should focus on the strengths and needs of the target population to provide for not only the daily support but to be part of the larger community.

The first opportunity for project sponsors to describe the resident services planned for the development is the **Resident Services Description** included in the CFC Application. If the development receives a funding reservation, the lengthier Resident Services Plan will become a condition of the reservation.

The first step in developing the Resident Services Description and Plan: *target population and service needs identification,* involves collecting data and conducting research to establish the target population, and to accurately determine their needs. It should not be assumed that the service needs of the target population can be fully realized, or that "typical" service needs can be anticipated, without completing a thorough investigation. Appropriate community resources such as social service providers, civic organizations, health care providers, and local government agencies should be contacted. Inquiries about possible service needs of the target population should be made at neighborhood schools, community centers, churches, and libraries. Housing providers and management agents are also knowledgeable resources regarding service needs of residents.

In smaller communities and neighborhoods it is sometimes possible to extrapolate the needs of the target population of the housing development based upon identified needs of the local community as a whole. Demographic information should be reviewed as part of this approach.

It is beneficial to design an assessment instrument to be utilized during project lease up. Such an instrument can verify the accuracy of service needs projected prior to occupancy and is a helpful evaluation tool as service needs change from time to time.

The second step: identification and coordination also includes research and data collection, with special focus on gathering information about existing and available services of benefit to the target population. Services must be specific to the proposed development and to the needs and characteristics of the target population. Project sponsors must identify local community resources, determine specific eligibility requirements, and establish availability for the residents of the development. It is critical to the success of the Resident Services Plan that the project sponsor establish strong community linkages and recognize this outreach as an opportunity to market the development with community providers who serve the target population. Obtaining and renewing firm letters of intent or Memorandums of Understanding from potential partners adds to the success of the Plan and services.

*Step Thre*e, *Implementation,* asks the sponsor to determine how and where Resident Services will be provided and who will be responsible for service delivery. Sponsors may arrange to offer services on-site in a community room, or individually where residents require in-home supportive services. Sponsors may also establish a direct referral system where residents can access available services outside of the development. An efficient information and referral system should be more than a display of brochures and flyers, or a community directory. It should help build relationships among residents, and between residents and their larger community. An effective Services Plan is goal-oriented with clear and measurable outcomes, which should be delineated under "Anticipated Results". Regardless if the implementation of the Plan is through a service provider or is incorporated as a responsibility of the management agent, the Plan should include the mechanisms of oversight of the service provider, their qualifications, and experience that can guarantee achieving the anticipated results. A description of the resources available or planned which will ensure the ongoing implementation of the Plan and coordination/delivery of services should also be included.

The scope of the Services Plan should be determined by the project sponsor and based upon the identified needs of the target population. Include only services that can be realistically delivered, but that also address the most pressing needs of the residents. An effective Services Plan may include a long list of services, or just one or two that are fully developed, easily accessible, and address a critical need of the target population.

The final step: evaluation and coordination with management requires the sponsor to develop and discuss how the services will be evaluated for effectiveness on an on-going basis, and how services delivery will be coordinated with the property management. Coordination of services with property management should include a deliberate and specific effort, such as weekly meetings, a system for sharing information through reports, and utilization of a formal referral system.
OHCS encourages sponsors/owners to document the effectiveness of their resident service program activities. This recordkeeping will assist the sponsor in evaluating and re-designing the Services Plan as needed in order to maintain effectiveness. A resident services report is now part of the OHCS monitoring and compliance requirements.

Participatory Reporting Requirements during Period of Affordability

Reporting on the resident service program activities has become a permanent feature of project compliance and monitoring. Sponsors/owners already tracking and reporting the effectiveness of their resident services are welcome to use their existing system. Sponsors/owners without a system are encouraged to utilize existing models or modified versions of national models. The reporting content should reflect the general OHCS policy goals on resident services. OHCS can facilitate access to these models.

OHCS is tracking the cost of operating affordable housing projects. This information is beneficial not only to the department but to our partners as well. Project owners will be asked to submit annual income and operating expense reports for the completed development through the agreed upon period of affordability.

Governor’s Principles for a Prosperous Oregon

Governor Ted Kulongoski believes that the future of Oregon will be determined by the investments we make in our children, our economy and our quality of life. The following principles are the foundation of a prosperous future for Oregon. Please consider these Principles as you develop your project.

EDUCATION - Children’s basic educational needs are met and adults have opportunities to develop career skills through training and higher education.
To be successful, children must be ready to learn by the time they enter school and the education they receive must prepare them to be successful in college or in the workforce. Communities should be engaged in supporting children and their families so they will be safe, healthy, educated and productive.

We must invest in post-secondary education to enable future economic prosperity. As our economy grows and changes, adults must have opportunities to receive training and education that permits access to family wage employment.

HEALTH - Oregon’s most vulnerable have their basic health, food and shelter needs met.

A prosperous Oregon is a place where we value taking care of those who are the most vulnerable, including children, seniors and people with disabilities. All of us benefit and our communities are healthier when our citizens' basic health, food and shelter needs are met.

ECONOMY - Oregon has a positive business climate and invests in economic development in order to create and retain sustainable businesses and family-wage jobs.
The future of Oregon depends on the number of jobs that we can create and growing the capacity of our economy. We must foster and encourage business development and create receptive conditions for business to create and retain enduring jobs for Oregonians.

LIVABILITY - Oregon has a healthy balance between growth, infrastructure development and environmental protection.
Oregon's environment and its economic health are inextricably linked. We must enhance and protect our natural resources while also contributing to Oregon's economic growth through responsible infrastructure development.

SAFETY - Oregonians are safe in their homes, communities and in state institutions.
Public safety is essential to our citizens. We must hold criminals accountable for their actions, prevent crime and reduce recidivism. We must also provide for safe buildings and places of work, prevent fraud and abuse, and maintain the ability to prepare for and swiftly respond to emergencies to preserve life and property.

ACCOUNTABILITY - State government is stable, responsive and accountable to Oregonians.
There is no more business as usual with state government. We have to be responsible stewards of the public's money. This means we must work in a cooperative and coordinated manner with our partners in the private sector and with local government - counties, cities, and special districts. We serve the same constituency and they must know that our mutual goal is to provide them with superior customer service.

More information on the Oregon Principles is available on the Governor's website at:
http://governor.oregon.gov/Gov/budget/future.shtml

ELIGIBLE COST DISBURSEMENTS FOR GRANT AND LOAN PROGRAMS

Two OHCS grant funds (Housing Trust Fund (HDGP) and HOME) may be used to pay for some acquisition, predevelopment, and development (including developer's fees, project management and consultant's fees), relocation costs and construction costs. These costs must be listed on the Uses of Financing form.

Funds must be used for the reimbursement or payment of actual costs. Cost documentation such as invoices, statements, etc. must be provided with each drawdown disbursement requested. Subcontractor release of lien documentation is necessary when HOME is paying construction expenses.

HDGP funds may be disbursed for expenses incurred up to 6 months prior to date of CFC application. Pre-development loans and bridge loans are exempted from the "6 months prior" limitation. Reimbursement by HOME funds for pre-development expenses will be limited to the following costs: legal, consulting, environmental and other studies, engineering and design costs, zoning approvals, inspections and testing for hazards, costs related to obtaining site option, project financing and fees for loan commitments. These activities must not have a physical impact on the site. Reimbursement will occur only after execution of the HOME Grant Agreement.

Exceptions to the 6-month limitation include:

- Payoff of an existing mortgage when approved as part of the application

Department grant funds may <u>not</u> be used for expenses which include, but are not limited to:

- Operating expenses such as maintenance, lawn mowing, utility bills, staff salaries, office equipment, overnight mail fees, postal, telephone, office rent costs
- OHCS application fees
- Tuition and travel expenses for staff training and seminars
- Meals, i.e. lunches/pizza feeds (even for marketing purposes)
- Ground breaking and Open House expenses

In addition, <u>HOME</u> funds cannot be used for the following:

- Non-predevelopment costs incurred prior to execution of the HOME Grant Agreement. There are exceptions: HOME can pay off a short-term loan or bridge loan that was used for HOME eligible expenses.
- Off-site costs including engineering and construction
- Payment of replacement reserves
- Payment of operating reserves unless pre-approved by the Department and then only for new construction and substantial rehabilitation projects for up to 18 months of lease-up.
- Loan fees for other Department programs
- Application or monitoring fees
- Furniture/fixtures which are easily "portable," e.g. TVs, microwave ovens, furniture.

Grant disbursements must also meet any other federal, state and program guidelines. Exceptions, requested in writing, may be granted on a case-by-case basis.

Developer's Fees

OHCS acknowledges the need for applicants to budget fees, which support sound development practices and help develop capacity. The developer fee includes "soft" costs which go into putting a project together. Costs which should be reimbursed from the developer's fee include but are not limited to:

- Development consultant fees
- Project management fees
- Developer's overhead and profit
- Other costs which are not reimbursable from department grant funds

It is also generally accepted that developer's fees are the next available source for project cost over-runs after contingencies have been exhausted. As such, it will be the department's policy not to expend program resources for the release of developer's fees until the Certificate(s) of Occupancy is/are obtained with the following possible exception:

Up to 50% of the sponsor's portion of the developer's fees to be paid with department resources may be released upon 50% of completion of the project if there is a demonstrated need for development fees in order for the project to proceed,. **Sponsors must request disbursement in writing prior to department approval.** The balance of the sponsor's portion of developer's fees to be paid with department program resources will not be released until there is a Certificate(s) of Occupancy. Program resources include the Housing Development Grant Program (Trust Fund), the HOME Program, and the proceeds from the sale of Low Income Housing Tax Credits.

Consultant Fees

Reasonable consultant fees may be released when a copy of a contractual agreement detailing a disbursement schedule tied to the completion of specified development mileposts is submitted for department approval. Mileposts can include the completion of pre-development activities, applications, loans and equity commitments, construction, stabilized occupancy and permanent loan closings. Additionally, until there is/are Certificate(s) of Occupancy, the release of department funds will require that there be a dedicated source for a 20% retainage of that portion of developer fee assigned to the consultant.

Furniture and Fixtures

Generally, grant funds will not reimburse furniture and fixture costs except possibly in the community room of a multi-family residence or furnishings in units for a special needs population that ordinarily does not have the ability to obtain furnishings (i.e., beds, dressers in housing for the homeless). HOME funds cannot pay for any furniture or fixtures which are easily transportable, while Trust Fund may be used to reimburse FFE costs in certain situations. Verification should be made in advance with the Department for any reimbursement request for furniture and fixture reimbursements.

There may be further exceptions to the various program funding requirements. Contact the department in advance to verify any special situations or requested exceptions.

Section 5: Architectural Standards and Product Replacement

INTRODUCTION

OHCS supports the development of affordable housing that is safe, livable and well designed; contributes positively to the quality of life in Oregon, adds to the aesthetics and living environment of the community, and enhances the self-esteem and empowerment of the residents it houses and serves.

Architectural Review
The department publishes specific Architectural Standards that include site design, building design, unit design and other quality of life issues, including construction materials and practices affecting the life-cycle cost of buildings. The department's architects review the sponsors' design teams' proposals to help projects meet the standards, thereby assuring the quality of state funded housing projects.

Recent Concerns in Meeting Specific Architectural Standards
Please read the entire Architectural Requirements section carefully, realizing that meeting the minimum standards is one of the criteria for approval of project funding. Making sure the project architect has access to the architectural Requirements <u>before</u> the design phase begins is the owner's responsibility. It will save time and other resources during the review process.

These published minimum architectural standards are typically met as a matter of course in well designed projects. In excellent projects, they are exceeded. At the same time, the department's recent experience has shown that more than a few projects do not meet some particular requirement with the initial submissions for funding/financing. Spending significant resources to redesign projects after the initial proposal is submitted can increase both soft and hard project costs. It can result in budget shortfalls that require substantial value engineering and/or jeopardize project livability for tenants.

Here are a few concerns that, if not addressed in the application materials, have typically resulted in budget challenges later on in the process.

1. Site Design
   <u>Geotechnical Problems</u>: These are typically the result of inadequate subsurface investigations and result in higher than expected foundation costs.
   <u>Storm Drainage</u>: If the project includes HOME funding or is located in certain political jurisdictions, stormwater may have to be treated on-site. Retrofitting on-site treatment design can be expensive, especially if it affects the number of type of units the site can support.
   <u>Privacy</u>: Walkways and traffic adjacent to apartment windows compromise privacy. Required design adjustments could affect unit design and/or site development density.

2. Building Design
   <u>Moisture Infiltration</u>: Proper window and door installation is essential to long-term project viability, as is careful design of exterior finishes. This has been particularly challenging for rehabilitation projects. *Moist building materials*, such as "green" framing lumber, have caused considerable damage to otherwise viable projects. Lumber should be dry and free of visible mold/mildew. Maximum moisture content of 19% is an industry standard, and is the Department's expectation.

3. Unit Design
   <u>Furnishability, Circulation and Unit Floor Area</u>: Floor Plans that show furniture arrangements highlight the usefulness of a particular design. Such drawings are required to be submitted with the initial submission drawings. Good designs should be able to stay

within the range of published floor area requirements. Apartments that are too small typically have inadequate or unfurnishable dining space and/or closet space and apartments that are overly large often result in high project costs that use too large a share of limited public funding.

Note that the above list in no way diminishes the importance of meeting the complete Architectural Requirements outlined and explained below. The list is provided as a tool to expedite the number of projects that receive Final Plan Architectural Approval based on review of sound original submissions. It is meant to help make good use of everyone's resources and to more quickly make high quality housing available to tenants.

ARCHITECTURAL STANDARDS

Overview

All construction or rehabilitation projects must receive Final Plan Architectural Approval from the Department as a condition of funding. The following outlines the architectural material to be submitted with the application, and the Architectural Design Requirements that must be met for developments to receive Architectural Plan Approval.

Architectural approval is based on evaluation of each project by the Department Architects in relationship to the ***Architectural Design Requirements*** listed below.

Sufficient information must be submitted to enable OHCS to evaluate the project's basic architectural design. When the project is a Residential Care Facility (RCF) or Assisted Living Facility (ALF), the documents must also be approved by the Oregon Licensing Plans Review Program, 3420 Cherry Avenue NE, Suite 110, Keizer, OR 97303. (PH: 503.373.7201, Fax: 503.373.1825) Note that the use of some federal funding requires additional investigation of environmental conditions, with particular attention paid to the environmental effects of stormwater management. Please see the CFC Overview or for more detailed requirements applicable to federal Grant funds, such as the HOME program

Architectural Plan Review- For All Projects

A preliminary review of the architectural plans will be conducted by the OHCS architect. Results of the review will be provided in writing. A project sometimes meets the Department's published minimum architectural requirements when initially submitted, and the sponsor receives an Architectural Approval letter to that effect. On the other hand, the initial Architectural Review may indicate that the project has not yet met the architectural requirements. The review letter will then indicate conditions for plan approval. All concerns that do not meet the OHCS minimum architectural requirements must be addressed before the project can proceed. When developing the project schedule, allow adequate time for detailed architectural review and adequate time for possible plan revisions. If the initial review letter requires conditions for approval, the subsequent plan review should take approximately 2 to 4 weeks after the Department receives the additional and/or corrected information, depending upon other pending reviews.

Architectural Review Submission Requirements - For All New Construction Projects and Rehabilitation Projects that Include Any New Construction

The following documents are required for design review and must be submitted with the application. These must not be Construction Documents, but should be only Schematic or early Design Development documents. The Architectural Submission must only include the information listed below. Note that additional information will not be reviewed, although a project will not be penalized by the submission of a cover sheet that may include a three-dimensional view of the development in addition to other project data, such as lot coverage, parking analysis or a description of the project team.

Vicinity map indicating the location of the site and amenities important to the residents such as groceries, schools, parks, activities on adjacent properties (e.g. single family dwellings, commercial retail etc.), and public transportation. If appropriate, the same vicinity map required in the environmental review checklist may be used.

Context photos showing the property and adjacent properties. Indicate on the vicinity map where the photographs were taken. If the site varies in slope, submit photographs showing the extent and nature of the sloped areas.

Preliminary site design and development plan with topographic data and a schematic landscape concept (1"=40' minimum scale). The site plan should include:

Site contours or, at a minimum, elevations on the corners of the property and each building; and preliminary grading including drainage away from buildings;
Site features such as existing structures to be removed, trees or hedges to be retained and general areas of new plant materials, with other site features.
All buildings with unit front entries indicated.
All paved surfaces and site lighting;
Any fencing at perimeter of site and between units and buildings;
Mechanical and electrical equipment such as transformers;
Trash holding areas;
Required Site Accessibility and Visitability features.

Preliminary building exterior elevations at 1/8"= 1'0" minimum scale that includes size of building and rooflines. Include a visual indication of grade at the foundation wall of the site with each elevation when the site is sloped.

Preliminary building floor plans at 1/8"= 1'0" minimum scale and unit plan(s) at ¼""= 1'0" minimum scale.

Preliminary building sections at 1/8" = 1'-0", when appropriate. These are required for sites where the grade slope exceeds 10%

Typical unit plans with furniture arrangements. Unit interiors shall be designed for maximum livability and utilization of space by residents.

List of Applicable Codes and Regulations

Identify all federal, state and local codes and regulations which govern the project. Also if the work falls under code jurisdiction, provide a Letter of intent, signed by the architect, to meet all applicable federal, state and local codes and regulations. These may include, but may not be limited to:

HUD, NOAA and/or other federal regulations
Current edition of the Oregon Structural Specialty Code
Applicable local planning and building codes
Accessibility and Visitability Requirements;

Note that these may include, but may not be limited to:
HUD Fair Housing Accessibility Guidelines
ADA Accessibility Guidelines
Uniform Federal Accessibility Standards (UFAS) applicable to HOME and other federally funded programs.
Oregon Visitability Requirements (included in this document)

Estimate of probable construction cost should be placed in Part 11 of this application.

Construction Documents - For OHCS Bond-financed Projects Only

After receiving Final Plan Approval based on review of the Architectural Submission listed above, OHCS bond financed projects require review and approval of the final Construction Documents including complete Specifications and the Construction Contract when they become available. Please see the applicable OHCS Loan Documents for construction inspections and other architectural requirements specific to the Loan Programs.

Architectural Review Submission Requirements for rehabilitation projects are included in the Rehabilitation Assessment Standards which follow the Visitability materials in this section.

ARCHITECTURAL DESIGN REQUIREMENTS

Introduction

The OHCS Architectural Design Requirements are meant to support projects that are safe, livable and well designed for long-term viability. The Requirements must be met for projects to qualify for Architectural Design Approval. Request exceptions in writing. Include a thorough and compelling explanation for each instance a particular requirement can not be met.

Some of the language below is *italicized*. These items are alternate suggestions for meeting some of the Architectural Requirements, or specific modifications to the Requirements based on particular conditions. In all cases, every effort must be made to accomplish the intent of these standards appropriately for the site context, building type and population served.

Project Context:

OVERALL CONSIDERATIONS

The project must demonstrate site specific planning considerations which will protect livability, long term viability and the investment of public resources.

Site Design Requirements:

A. SITE SAFETY

1. Locate units so pathways from parking areas to units are direct and safe at night. Avoid pathways that pass through other residents' outdoor space or within ten feet of ground floor dwelling unit windows.
2. When possible, locate the buildings on the site so that unit front entries are visible from the street or the parking area used by visitors and emergency vehicles.
3. Design vehicular traffic and parking to minimize paved surface area and to minimize noise and safety issues for residents, especially children. Design roadways to discourage excessive vehicular speed.
4. Provide visual and sound buffers between residential uses and incongruent uses on adjacent sites, e.g. industrial buildings and highways.
5. Provide lighting on site to ensure safety of cars and residents at night. Locate fixtures to avoid shining into apartment windows.

B. PLAY AREAS

In family housing provide one or more on-site play areas for children under six years old that are visible from as many dwelling units as possible. Avoid locations that require children to cross parking lots and/or driveways to reach play areas. Provide places for adults to sit near these play areas.

C. LANDSCAPING
Locate plant materials to enhance the livability of the development. Use plants to reinforce the separation of individual private outdoor spaces from community areas, to buffer cars from community outdoor space, to buffer noise, and to prevent soil erosion.

D. BUILDING ORIENTATION
1. Orient units so that every unit receives maximum daylight given the overall site development and specific architectural scheme.
2. Where building design and site circumstances permit, organize buildings and units so that unit fronts face unit fronts and unit backs face unit backs, to increase the opportunity for useful common space and for privacy of bedrooms.
3. On sloped sites, minimize the use of stairs on the pathway between parking and unit entries. Use the topography wherever possible to gain level entry at different floors.

E. TRASH
Provide trash holding areas that are both serviceable by truck and accessible to residents. Screen dumpsters from public view. Balance convenience to residents with adequate separation from living areas to avoid odor problems.

F. PROJECT SIGN
Provide a project sign during construction which identifies the project and includes the Oregon Housing and Community Services name and logo as a source of funding. If HOME funds are use to finance the project, the sign must also identify the US Department of HUD on the sign in type size no smaller than the other funders listed.

<u>Building Design Requirements</u>:

A. OVERALL CONSIDERATIONS
Design the building(s) with appropriate articulation of massing and roof line to be visually appealing and compatible with the neighborhood context.

B. BUILDING/UNIT EXTERIORS
1. Use exterior materials that are compatible with the project's context and have an excellent track record for performance under a variety of weather and use conditions. Acceptable siding materials include wood, cement fiber or vinyl lap siding, wood or cement fiber panel siding with battens applied horizontally and/or vertically, brick or textured concrete masonry units. Because of the preponderance of failures in buildings sided with stucco and synthetic stucco (EIFS) products, these siding products will not be approved for use in projects funded by the Department. Provide wood casement trim around doors and windows of buildings that have wood or fiber cement exteriors.
2. When possible, limit roof penetrations to surfaces away from public view.
3. Screen mechanical equipment from public view.
4. Clearly delineate the main building entrance as an inviting focal point using forms and materials consistent with the building design.
5. Provide every unit with its' own exterior front door (except in apartment buildings with interior corridors) Include a front porch or covered landing sized to permit personal display and temporary placement of items being carried in and out of the unit.
6. Provide a private outdoor space of at least 6 feet by 10 feet for each unit (backyard, porch or balcony) with direct physical and visual access from family living space. *Buildings in zero-lot-line urban contexts may explore substituting smaller balconies, belevederes or bay windows when full-sized balconies are not practicable on the upper floors. Increased habitable common outdoor space may be substituted when all of the units can not have private outdoor space.*

C. PRIVACY

1. Provide privacy between individual yards or patios with screens of fencing and landscape, or just tall, thick landscaping at least six feet high. Minimize views from upper windows and balconies of one unit into the outdoor space or windows of another unit.
2. Provide each unit with its' own entry path. Avoid shared entry pathways where the residents of one unit must walk across the welcome mat of their neighbors.

Unit Design Requirements

A. COMMON SPACES/FURNISHABILITY

Design common living spaces (kitchen, dining area and living room) to accommodate the maximum number of people who might reside in the unit. For example, a dining area in a three bedroom unit needs to be larger than the dining area in a two bedroom unit. Kitchens in three bedroom units need to accommodate more than one person in the space at the same time. Configure bedroom windows, doors, and heat sources so that residents can furnish every bedroom with two twin beds. *Minor exceptions for bedroom sizes may be allowed on an individual basis, depending on the population served.*

B. CIRCULATION

1. Design circulation through the unit to be as efficient as possible, incorporating it into living spaces, wherever possible, without diminishing furnishability and use of rooms. (A furnishable room is one with uninterrupted walls and at least two corners, ideally three corners).
2. Create a clear transition at the entry between semi-public and more private space. This can be accomplished with a porch, a foyer or a vestibule at front door so that the dwelling unit entry is separate and distinct from the dwelling unit common spaces.
3. Provide a circulation path between bedrooms and bathrooms that does not pass through the common living area or other bedrooms. Bathrooms shall not be accessed directly from common living areas, except in studio and SRO units. *Circulation to the bathroom in one-bedroom units may skirt the common space, if good furnishability is not compromised*.

C. BATHROOMS

In three bedroom units provide a minimum of 1.5 bathrooms. Provide two full baths in four bedroom units. In either case at least one bathroom shall have a tub. In townhouse units with two or more bedrooms, provide ½ bath on the lower floor to serve the living/dining area (See the requirements for Visitability). Provide no more than one full bathroom in two-bedroom flats unless an exemption has been obtained from the Department. Exemptions will be granted when the Department determines the additional bath is required for the target population(s). *The Department will consider specific exemptions on a unit-by-unit basis when a "Request for Exemption from Requirements" is included in the application. This request form is located in the Architectural Forms section.*

D. ELEVATORS

Provide elevators in buildings of three or more stories, and in buildings of two stories that serve the elderly and/or disabled where units are evenly distributed between floors. "Townhouse over flat" designs totaling three stories need not provide elevators; neither do three story garden style buildings with twelve or fewer units per building that do not require Accessibility for folks with mobility impairments to the upper floors.

E. STORAGE

Provide interior and exterior storage. Note that lack of adequate interior and exterior storage may also affect the long term marketability of the units. Include the following minimums:

1. Coat closet near front door.

2. Linen storage near bedrooms and bathrooms. This can be accomplished with closet space or with built-in cabinets/shelves in the bathroom or laundry room.
3. Interior bulk storage. Where feasible, provide 50 sq ft for two and three bedroom units and 60 sq ft for four bedroom units. *Closet space in excess of the minimum may be counted toward this requirement. The bulk storage requirement may also be partially satisfied by providing safe and convenient individual lockable interior storage elsewhere in the building*.
4. Bedroom closets must be a minimum of 2' x 5'.
5. Exterior Bulk Storage To the extent feasible and where appropriate to the population, provide exterior bulk storage of a least 20 sq ft for outdoor equipment. Locate the outdoor storage space conveniently, near the door, porch, balcony or patio. Note that exterior storage is not included in unit floor area calculations.

F. NATURAL LIGHT

Maximize the availability of natural light available to each unit. Provide natural light in every room or activity space possible, including dining areas and sleeping alcoves. Kitchens and baths are exceptions.

G. LAUNDRY

In family housing provide a washer and dryer, or at least washer and dryer hookups, in each unit. Provide accessible laundry rooms conveniently located for all residents in other projects

H. ACOUSTIC SEPARATION

Provide an acoustically controlled environment relative to exterior noise as well as noise from adjacent units and public spaces. Construct walls between apartments with staggered studs and sound attenuating insulation or resilient channels with sound attenuating insulation to minimize structure borne and airborne transmission of sound. Provide resilient channels with sound attenuating insulation ceilings between apartments.

I. BATHROOM AND KITCHEN EXHAUST

Provide bathrooms with ceiling exhaust fans and kitchens with range hood exhaust fans. Connect all mechanical exhaust systems directly to the outside. *Professionally engineered alternate systems that provide good bathroom and kitchen ventilation are also acceptable, particularly for mid-rise buildings in urban contexts.*

J. MINIMUM AND MAXIMUM UNIT FLOOR AREAS

Dwelling units must be large enough to accommodate the intended population. Unit designs must also provide for efficient use of public resources. Draw and submit typical furniture arrangements on plans to ensure and demonstrate adequate function of all spaces. The following table shows the minimum floor areas required and maximum floor areas allowed by OHCS for projects funded through the CFC process:

Please see the APPENDIX for approved methods to be used in calculating unit floor area. Note that exterior storage is not included in unit floor area calculations.

Unit Type	Minimum Required Unit Floor Area (Square Feet)	Maximum Allowable Unit Floor Area (Square Feet)	Maximum Allowable Floor Areas for Townhouses and Accessible Units
SRO	175		
Studio	350		
1 Bed / 1 Bath	600	690	740
2 Bed / 1 Bath	800	900	950
3 Bed / 2 Bath	1,000	1,200	1,250
4 Bed / 2 Bath	1,250	1,400	1,450
ALF/RCF Studio	300		
ALF/RCF 1 Bed	450		

Only projects that meet both the minimum and maximum unit floor area requirements will be considered for funding. The Department will consider exemptions on a unit-by-unit basis if a “Request for Exemption from Minimum or Maximum Unit Floor Area Requirements” is included in this application. This request form is located in the Architectural Forms section.

Note that while the Department strongly supports the efficient use of financial and material resources for all projects, maximum allowable unit floor area requirements apply only to projects seeking funding through the CFC application process. Projects submitted for department bond funding are not affected by the maximum floor area allowances. The Minimum Unit Floor Area requirements apply to all projects submitted for funding, regardless of requested funding source.

Green Building Requirements

The department believes green building must be a consideration when planning developments in the future. Developers who include green building and energy conservation measures in their project will have the opportunity to receive scoring points in that portion of the department’s review. Incorporation of green building activities, and participation in that portion of the Self-Scored Section, is not a requirement for funding. Sponsors may submit applications that don’t include the listed green building criteria, but must understand that projects which do participate will receive more points in that section of the department’s scoring process.

With assistance from a green building consultant, the department has determined a number of green building items which must be completed for an application to receive scoring points for the use of green building measures. The sponsor may choose to incorporate more green building activities than those listed, but must also complete the items required.

The department has established a process which connects the participating sponsor to existing green building programs available throughout the state or, if none of these are applicable to the project, with OHCS. The three existing programs selected are Enterprise Green Communities, Earth Advantage Homes, and LEED for New Construction or Homes. In addition, OHCS has established green building criteria for those projects which cannot be served by any of the three existing programs. Sponsors who wish to participate in a green building program (and receive points in the CFC scoring process) must choose to work within one of the four processes. Listed below is contact and process information for each program.

The following information is listed as a courtesy for the applicant. The department takes no responsibility for the accuracy of the program material. Requirements or criteria may have been updated by any of the program providers. The sponsor should confirm the provider’s expectations before committing to a specific program.

Enterprise Green Communities ("Enterprise GC")

- Addresses new construction and major rehabilitation (replacement of one or more major systems).
- To qualify, project must have at least 25 rental apartments occupied by households at or below 60% AMI.
- Rehabilitation projects must undergo an energy audit that identifies baseline energy performance of existing measures and anticipated energy improvement from proposed new measures.
- Program strongly encourages project sponsors to engage a contractor to review design materials, walk the project site, discuss green building intentions and obtain a rough cost estimate of total and green building-related project costs. Sponsors may also benefit from an early project brainstorm session or "Eco-Charrette" with a team of experts and stakeholders to help identify preliminary approaches to achieve Green Communities certification.
- Enterprise GC has grants available for application to assist with costs from Eco-Charrettes and pursuit of certification.
- Projects not selected for CFC funding may still pursue Enterprise GC certification and incentives.
- Successful applicants will be required to register the project with Enterprise within 60 days of notification of a successful CFC application. Signed verification of registration must be provided to OHCS within 75 days of that notification. Enterprise' reporting and verification of green building certification requirements for OHCS will be provided to all successful applicants but will not exceed those already required by the Enterprise GC program.
- Enterprise GC certification requires that the project architect and/or engineer sign a template to verify that each selected Criteria has been implemented into the project. No additional supplemental documentation is required. Enterprise reviews and confirms the submitted materials and the project is then certified. The sponsor is responsible to forward the proof of certification to OHCS.
- Program requirements are available at www.greencommunitiesonline.org/tools/criteria/

  or: Enterprise Community Partners
520 S. W. Sixth Avenue, #700
Portland, Oregon 97204
Phone: 503 223-4848

Earth Advantage Homes ("EA")

- Addresses single and multi-family new construction
- Projects that pursue the EA compliance path must have an initial consultation with an EA representative prior to submittal of the CFC application. At the consultation, the EA representative will review project materials, discuss the program, identify relevant green building incentives and work with the development team to help identify the most effective strategy to pursue EA certification for the project. The consultation will yield a preliminary, completed EA Points Worksheet for the project which will be submitted to OHCS as part of the CFC application Self-Scored Section. As design progresses, EA may also conduct a project energy model as part of the verification and certification process. If awarded, the consultation and energy model are eligible for CFC funding support.
- Program strongly encourages project sponsors to engage a contractor to review design materials, walk the project site, discuss green building intentions and obtain a rough cost estimate of total and green building-related project costs. Sponsors may also benefit from an early project brainstorm session or "Eco-Charrette" with a team of experts and stakeholders to help identify preliminary approaches to achieve Green Communities certification.
- Successful applicants will be required to register the project with EA within 60 days of notification of the successful CFC application. Signed verification of registration must be

provided to OHCS within 75 days of notification. EA's reporting and verification of green building certification requirements for OHCS will be provided to all successful applicants but will not exceed those already required by the EA program.

- EA certification requires approximately 2-3 total field inspections during and after construction and review of the final green building worksheet by an EA representative. No additional supplemental documentation is required. EA reviews and confirms the submitted materials and the project is then certified. The sponsor is responsible to submit the certification to OHCS.
- Program requirements are available at www.earthadvantage.org/ or:

  Earth Advantage National Center
16280 S. W. Upper Boones Ferry Road
Portland, Oregon 97224
Attn: Duane Woik
Phone: 503 968-7160, x-14

  Earth Advantage (Central Oregon)
345 Century Drive, #20
Bend, Oregon 97702
Attn: Bruce Sullivan
Phone: 541 480-7303

  Earth Advantage (Southern Oregon)
715 Sunrise Street
Ashland, Oregon 97520-3349
Attn: Fred Gant
Phone: 541 840-8302

  Earth Advantage (Valley)
2695 Madison Street
Eugene, Oregon 97405
Attn: Eli Volem
Phone: 541 510-9310

LEED Certification ("LEED")

- Projects that pursue LEED for New Construction certification automatically comply with the CFC Green Building Standard. LEED projects are anticipated to meet or exceed the performance sought by the Earth Advantage and Enterprise Green Communities baseline compliance paths. These projects must submit a completed LEED scorecard, CFC Green Building Worksheet, proof of project registration with the U.S. Green Building Council (USGBC) or a signed statement of intent to register the project with the USGBC for LEED for New Construction or Homes program within 60 days of notification of a successful CFC application.
- Program requirements are available at www.usgbc.org/.

OHCS Path for Acquisition/Rehabilitation or Acquisition Only

- Addresses types of projects not eligible for participation in the other three programs. If a project is eligible for Enterprise Green Communities, Earth Advantage or LEED Certification, it must work with that program to receive points in the CFC Self-Scored Section.
- Participating projects must submit the Green Building Worksheet in the CFC application. If successful in receiving funding, sponsor may be required to provide a completed third party energy audit to OHCS within 75 days of notification of funding and submit at project closing specified evidence which verifies that work was completed as stated.

VISITABILITY

Oregon policy, as enacted by ORS 456.510, is to "encourage the design and construction of dwellings that enable easy access by individuals with mobility impairments and that … allow continued use by aging occupants".

New construction projects receiving funding from the Department are subject to requirements for Visitability. Although the Department strongly encourages Visitability of all projects, the Visitability Rule does not apply to rehabilitation projects, or to projects that receive Department funding only from OHCS bond financing and/or non-competitive tax credits. Nor does it apply to Farmworker Housing on a farm.

However, newly constructed units and newly constructed community spaces in rehabilitation projects are subject to requirements for Visitability.

"Visitable" means able to be approached, entered and used by individuals with mobility impairments, including but not limited to individuals using wheelchairs, as determined by the Department.

In effect, units in many projects are already "Visitable" since they must meet the requirements of the federal Fair Housing Act. Fair Housing addresses "Accessibility" standards, which exceed most requirements for Visitability. Since 1991, The Fair Housing Accessibility Guidelines have provided "safe-haven" specifications for meeting requirements of the Fair Housing Act.

Visitability requirements closely follow Fair Housing Accessibility Guidelines. The following is a summary of the differences between the Oregon Visitability Rule and the requirements of the Fair Housing Act. It is intended to clarify the impact of the Visitability Rule on projects that will be designed to already meet Fair Housing Act requirements.

Differences in Application between the Visitability Rule and Fair Housing Guidelines

The Visitability Rule applies to new construction of OHCS-subsidized rental projects of one or more units, including Group Homes. The Fair Housing Accessibility Guidelines apply to rental buildings of four or more units.

Although the Department strongly encourages Visitability in all projects, it is not required in projects that receive Department subsidy only from OHCS bond financing and/or non-competitive tax credits. Nor does it apply to Farmworker Housing on a farm. The Fair Housing Accessibility Guidelines do apply to those projects.

The Visitability Rule applies to all ground floor units, the ground floors of multi-story units, and to all units in elevator buildings. Multi-story units are exempt from the Fair Housing Accessibility Guidelines.

The basis for exemption from the Visitability Rule includes conflicting Community Design Standards, undue cost constraint and other exemptions related to timing and funding. Fair Housing exemptions are based only on Site impracticality.

Differences in Specific Requirements

Site and Building Requirements

The Visitability Rule requires a Visitable Route to all ground floor units, the ground floors of multi-story units, and to all units in elevator buildings. Multi-story units are exempt from the Fair Housing Accessibility Guidelines

The Rule requires edge protection for walks, patios and plazas that are 12" or higher than the adjacent grade.
For ramps that are not covered by other, more stringent requirements, the Visitability Rule does not require handrail extension, requires handrails only on one side of ramps and permits a ramp cross slope not to exceed 3%.

The Rule requires, under most circumstances, 24 hour access for residents and their guests to an on-site, fully accessible Powder Room in projects of 20 or more contiguous units. Fair Housing has no such provision.

Unit Requirements
The Visitability Rule requires Visitability in all ground floor units, the ground floors of multi-story units, and all units in elevator buildings. Fair Housing exempts multi-story units.

The Rule requires a visitable route between a visitable unit entrance and at least one visitable common living space. Fair Housing requires accessibility to all spaces within a unit.

The Rule requires at least one Bathroom or Powder Room in each unit to be Visitable.

Relationship with other federal and state accessibility requirements
Where existing federal and state requirements conflict with Visitability Requirements, the more stringent regulations apply.

Visitability Requirements

The Visitability Requirements are organized according to **Site**, **Building** and **Unit** to coincide with the organization of the other Architectural Requirements. These sections are followed by specific information regarding **Exemptions** to the Visitability Requirements. The requirements are based on the Oregon Administrative Rule governing Visitability (OAR 813-310). The text of the entire Rule can be found on the OHCS website at: www.ohcs.oregon.gov.

Site and Common Space Visitability

Visitable Exterior Route Requirements

Each unit must be connected to common use areas (such as parking, lobbies, mailboxes, management offices, recreational facilities, laundries and garbage and recycling areas) by a visitable exterior route.

Walk, Ramp and Curb Ramp Requirements

Walks- Walks along a visitable exterior route must meet the following criteria.
Width- the minimum clear width of a walk must not be less than 36 inches.
Slope and Rise - The slope of a walk must not exceed one unit vertical in 20 units horizontal (5% slope).
Cross Slope - The cross slope of a walk must not exceed one unit vertical in 33 units horizontal (3% slope).
Edge Protection - Along a visitable exterior route, a continuous 2 inch high curb is required on the edge of walks that are 12 inches or higher above the adjacent grade. This applies to both flat and sloped portions of walks, regardless of size, as well as flat areas such as plazas and courts. Along a sloped walk a portion of which requires a curb, the height of the curb must gradually taper until the walk is no higher than 2 inches above adjacent grade. **See Figure #1**

Ramps- Ramps along a visitable exterior route must meet the following criteria.

Width- the minimum clear width of a ramp must not be less than 36 inches.
Slope-The maximum slope of a ramp must not exceed one unit vertical in 12 units horizontal (8.33% slope). The maximum rise for any single run can be no greater than 30 inches.
Cross Slope - The cross slope of a ramp can be no greater than one unit vertical in 33 units horizontal (3% slope).
Surface- Ramps along a visitable exterior route must have a firm, stable, slip resistant surface.
Landings- Ramps along a visitable route must have landings at the top and bottom, and at least one intermediate landing for each 30 inches of rise. Landings must have a minimum dimension, measured in the direction of travel of 60 inches. The width of any landing may not be less than the width of the ramp. Where the ramp changes direction, the minimum size of the ramp must be 60 inches by 60 inches.
Handrails- Each ramp required for Visitability must have a handrail on at least one side. Ramps with a total rise of 12 inches or less or a horizontal projection of 12 feet or less are not subject to the handrail requirement. Curb ramps are not subject to the handrail requirement. Required handrails must be built and installed to meet the specifications set forth in Chapter 11, Division II-ELEMENT REQUIREMENTS, of the OREGON STRUCTURAL SPECIALTY CODE, (Oregon UBC) except that a handrail for Visitability need not include extensions beyond the length of the ramp and landing. **See Figures and #2 #3.**
Curb Ramps - Curb ramps are required where curbs lie along a visitable route.
Width- Curb ramps must have a minimum width of 36 inches.
Slope - Curb ramps can have a maximum slope of 1 unit vertical to 12 units horizontal. Transitions from curb ramps to walks; gutters and vehicular ways must be flush and free of abrupt changes in height.
Side Slopes - Curb ramps located where pedestrians walk across the ramp must have sloped sides whose slope does not exceed 1:10.
Surfaces - Curb ramps along visitable exterior routes must have a firm, stable, slip resistant surface.
Location - Curb ramps must be built so as not to project into vehicular ways or be located within accessible parking spaces.

Visitable Community Powder Room Requirements

A Fully Accessible (by ADA Standards) Community Powder Room must be provided in a development that has 20 or more contiguous units.
The Community Powder Room must be available for use 24-hours per day, 7 days per week. This availability may be provided by on-site or on-call staff, through the use of keys, keypads or electronic code locks, or by other means, as approved by the Department.

Visitable Exterior Entrance Requirements

Each dwelling unit must have at least one visitable entrance that meets the following criteria:
Exterior Door Width - An exterior door must have a clear opening of at least 32 inches.
Threshold- The maximum allowable threshold height is ¾ inch for exterior sliding doors and ½ **inch** for all other exterior doors. Bevel thresholds down to adjacent surfaces at a rate not greater than 1:2.
Adjacent Surfaces - Each visitable entrance must have a flat surface immediately adjacent to and level with the entrance. On the exterior, the surface may be sloped for drainage at 1:50 maximum (a 2% slope). The surface must be at least 36 inches wide and at least 48 inches deep in the direction of travel on the push side of the door. On the pull side of the door, it must be at less than 60 inches deep in the direction of travel. Where the door is not in the direction of travel, the minimum size of the flat surface must be 60 inches by 60 inches. **See Figures #4 and #5.**

Visitable Unit Interior Requirements

Each unit must have the following minimum characteristics for Visitability:
One or more visitable routes between the visitable dwelling unit entrance and a visitable

common living space.

Hallways along a visitable route must have a minimum clearance of 36 inches, and doorways along that route must have a minimum clearance of 32 inches.
Light switches, electrical outlets and environmental controls in the dwelling units must be installed no lower than 15 inches, or any higher than 48 inches, above the adjacent floor level.
One or more visitable routes between the dwelling unit entrance and a Powder Room.
A Powder Room that has the following characteristics: See **Figure #6**
A door that does not block access along the visitable interior route, and does not block the reasonable use of the fixtures in the powder room, in the Department's determination.
Walls that are reinforced in a manner suitable for grab bar installation.

<u>Group Home Visitability Requirements</u>
For the purposes of Visitability, Group Homes are generally considered to be a single unit. A Group Home requires only one visitable exterior route, one visitable entrance, one visitable interior route to a Common Space and one visitable Powder Room.

<u>Exemptions from the Visitability Requirements</u>
The Department may grant requests for exemptions from the Visitability Requirements, based on specific conditions and for specific reasons.

<u>Reasons for Exemptions</u>
Exemptions may be requested for the following conditions: adverse topography, significant financial aid from another government agency, undue cost, undue constraints, initial project rejection, conflicting community and design standards and/or to provide an alternative to 24 hour Common Powder Room availability.

Adverse Topography- An exemption from Visitability Requirements may be considered if topography or other site considerations (flood plains, conservation areas) make compliance impracticable. An exemption might also be warranted if specific site conditions require expensive deviations from accepted construction methods.
Significant Financial Aid from Another Government Agency- An exemption from Visitability Requirements may be considered if another agency contributes a significant amount of financial aid to the housing. The financial aid becomes significant if it includes funding for at least 25% of the anticipated total development cost at the time of initial funding, or project based rental assistance for a minimum of 50% of the units for an anticipated period of multiple years.
Undue Cost- An exemption from Visitability Requirements may be considered if additional construction costs, directly attributable to meeting the Visitability Rule, are unreasonably above and beyond the normal costs of meeting the Department's other Architectural Requirements. In order to be considered undue, the additional costs must exceed $1,000 per unit, or $2000 if associated with providing a Community Powder Room.
Undue Constraints- An exemption from Visitability Requirements may be considered if financial or other factors exist that may inappropriately limit the development or its operation. Factors the Department may consider in making such a determination include, but are not limited to:

- Whether applying these rules may result in a loss of units.
- Whether applying these rules may result in a need to raise rents by a significant amount (loss of affordability).
- Whether applying these rules may result in a significant increase in maintenance or ongoing expense.

Community and Design Standards -An exemption or partial exemption may be considered if local government development codes or legally binding CCRs (covenants, conditions and restrictions) contradict the Visitability Requirements. Neighborhood or Management design preferences are not included.

Alternative to 24 hour Common Powder Room Availability- An exemption from the requirement to make the Community Powder Room available for use 24-hours per day may be considered if each of the visitable units in the development includes an *Adaptable* Powder Room, as defined in Chapter 11 of the Oregon Structural Specialty Code (The Oregon UBC), and also has at least one properly installed grab bar on the wall beside the toilet.

Partial Exemptions

The Department encourages Visitability to the greatest degree possible in each project. The final approval of an exemption or partial exemption request may be given for more or less than requested. Partial exemptions may be granted as follows:

Partial Exemption from meeting all of the Visitability Requirements

The Department may grant an exemption for one aspect of the Visitability requirements without granting exemption from other Visitability requirements. For example, an exemption from exterior requirements may be granted for topographical reasons without exempting interior requirements.

Partial Exemption from Full Compliance with Visitability Requirements

The Department may grant a partial exemption from full compliance with any Visitability requirement. For example, a ramp that cannot meet the Visitability standard may be given a partial exemption that still requires the ramp to meet a certain standard which in the determination of the Department is the best that can be achieved under the circumstances.

Partial Exemption for One or More Unit

The Department may grant an exemption or partial exemption for one or more of the units in a development. For example it may be that one unit in a development requires an exemption while others do not merit such an exemption.

Visitability Exemption Application Process

Visitability Request Form

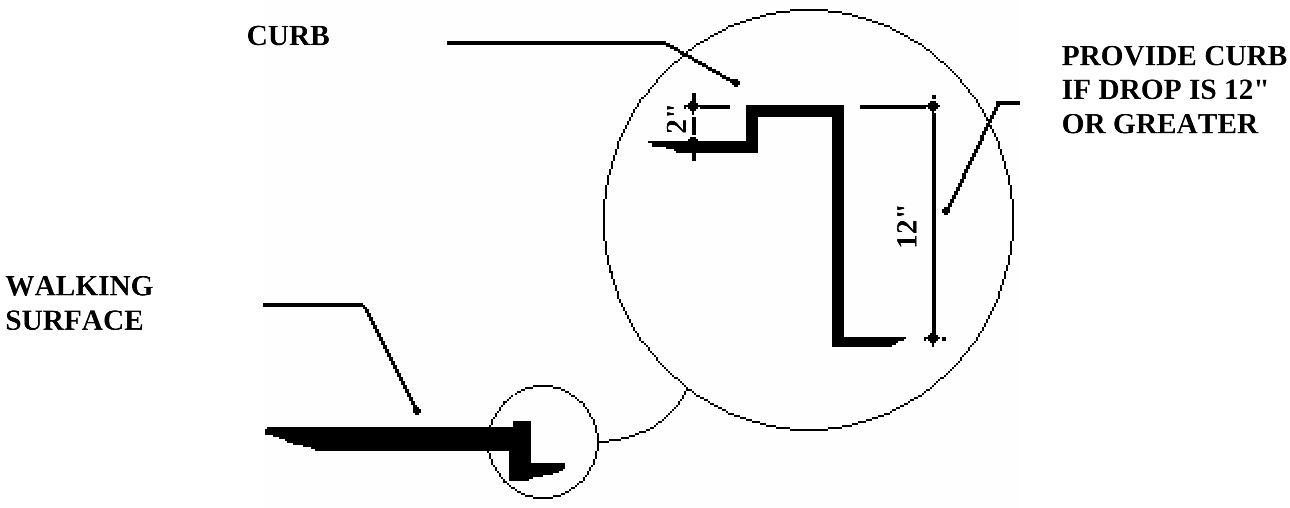
To request an exemption from any aspect of the Visitability Requirements, complete the OHCS Visitability Request Form found in this packet. The Visitability Request Form is also available on the OHCS website at: www.ohcs.oregon.gov/OHCS/HRS_CFC_Overview.shtml. Answer each question, providing a complete and thorough justification for the exemption request. Use additional sheets if necessary.

Timing of Exemption Requests

Exemption requests must be made at the time of application for funding. Requests made afterward may be considered if site or other conditions could not have been anticipated while meeting the other requirements of the application process. For example:

A late request might be justified if adverse sub-surface conditions are encountered during construction and could not have been anticipated by the Geotechnical Investigation prepared for the original application.

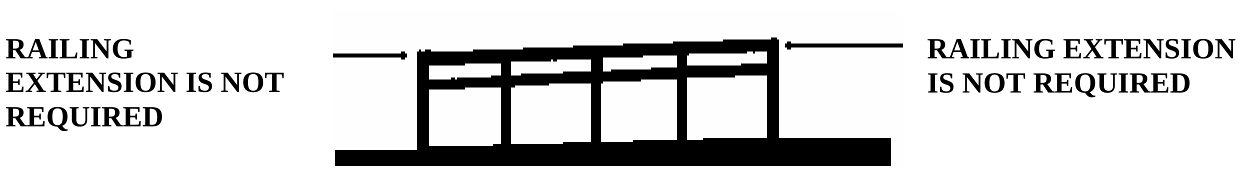
A request for exemption from the 24 hour availability requirement for a Community Powder Room may be made and considered at any time during the life of the project if operational or management issues associated with maintaining availability threaten to pose undue constraints on the project.



EDGE PROTECTION FOR WALKS, RAMPS, PATIOS AND PLAZAS

not to scale

Fig. 1



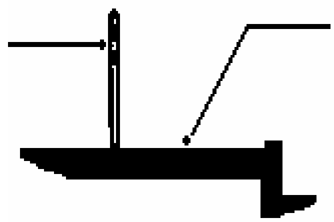
RAMP RAILING

ELEVATION

not to scale

Fig. 2

RAILING IS REQUIRED ON ONE SIDE ONLY

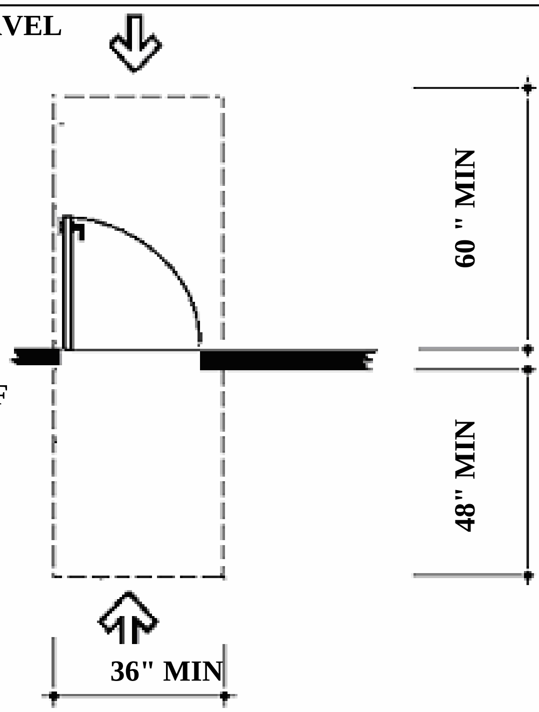


WALKING SURFACE

RAMP RAILING
SECTION
not to scale

Fig. 3

DIRECTION OF TRAVEL
PULL SIDE

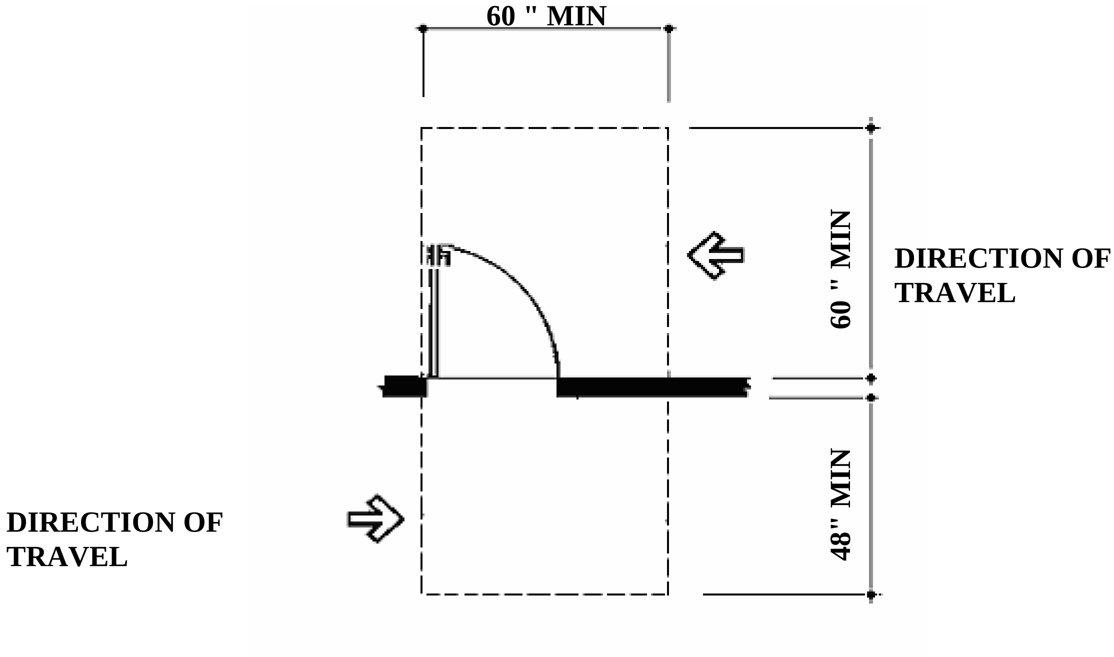


DIRECTION OF TRAVEL
PUSH SIDE

DIRECTION OF TRAVEL
PULL SIDE

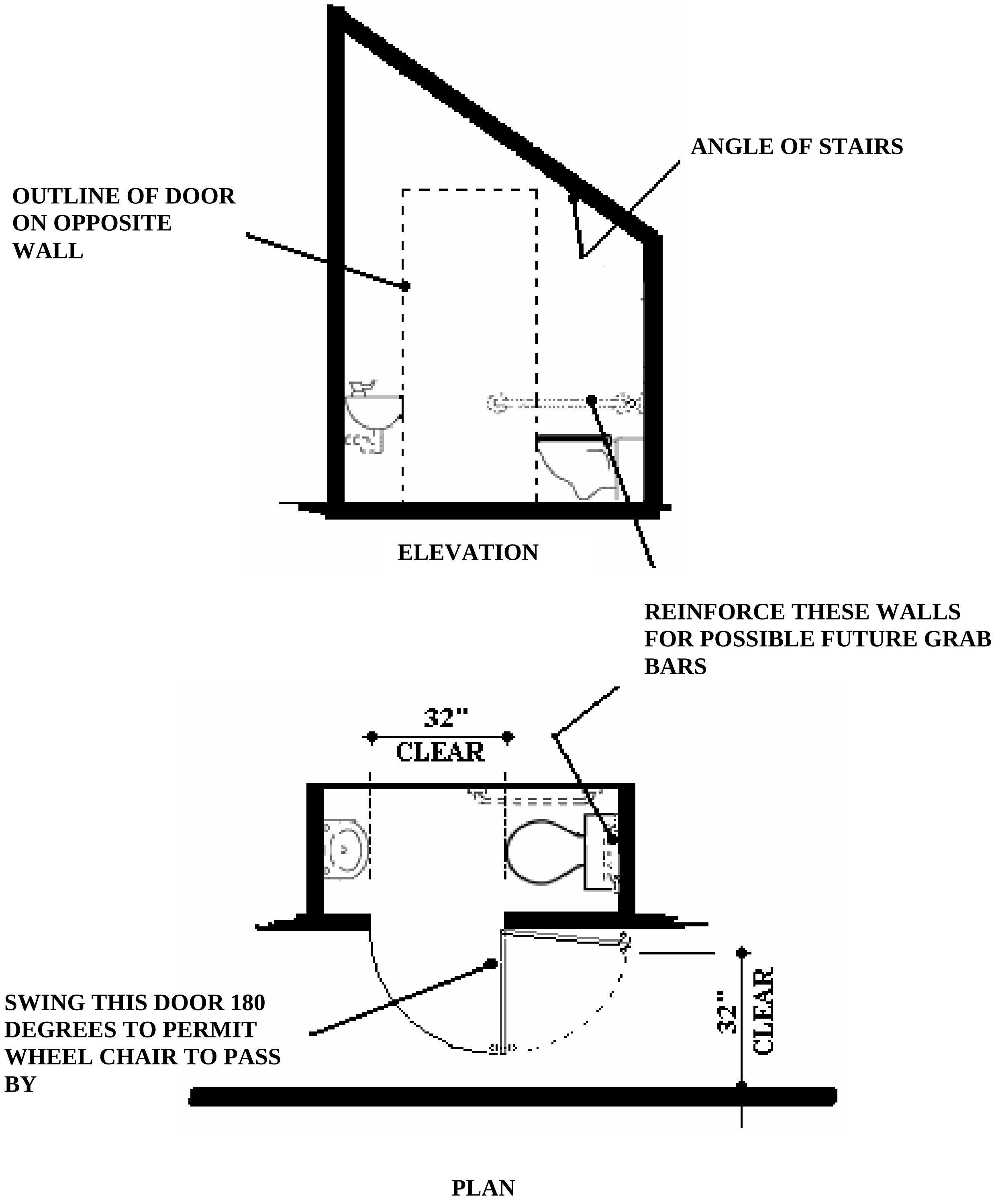
CLEARANCE AT EXTERIOR DOORS
DOOR IS IN THE DIRECTION OF TRAVEL
not to scale

Fig. 4



CLEARANCE AT EXTERIOR DOORS
DOOR IS NOT IN THE DIRECTION OF TRAVEL
not to scale

Fig. 5



VISITABLE UNDER-STAIR POWDER ROOM

MINIMUM CLEARANCES

not to scale

Fig. 6

REHABILITATION ASSESSMENT STANDARDS

OHCS has found in recent years that construction costs, especially for rehabilitation projects, have often exceeded original estimates. The process of providing and approving additional awards after the start of construction is beginning to affect the Department's funding award plans. OHCS may not be able to award additional funds to projects which are over-budget on construction costs.

OHCS requires a thorough Rehabilitation Assessment for all rehabilitation project grant, loan or tax credit applications. The Assessment must examine the following major building components and describe the work necessary to bring each building component to the level of maximum expected life span. The following rehabilitation components should be addressed in the Assessment:

- Roof and roof substructure
- Accessibility features
- Exterior walls (building envelope)
- Pest and dry rot inspection
- Insulation
- Interior spaces: appliances and structural elements
- Foundation
- Structure: basement, substructure, super structure, crawlspaces
- Electrical systems
- Plumbing systems
- Heating systems
- Site: parking, landscaping, common areas, lighting, security
- Meet the requirements of HUD 24 CFR 5.703 (uniform physical condition standards for public housing).

Deferred maintenance may be done as a part of a more substantial rehabilitation effort, but OHCS strongly discourages the use of tax credits solely for the purposes of addressing deferred maintenance.

A specific set of standards has not been designated to address the variation in project needs; however, OHCS requires standards for acquisition/rehabilitation projects be goal-oriented. The goal will be to improve the property in such as way as to maximize its expected life. As well as immediate rehabilitation, an assessment of repairs and maintenance planned over time should be included.

After reservation of funding is made, OHCS may, at its discretion, complete a unit by unit inspection of developments with proposed rehabilitation to assure there is an adequate scope of work. OHCS encourages sponsors of acquisition and rehabilitation projects to complete a replacement schedule prior to application. Depending on the extent of rehabilitation and the condition of the project, OHCS may require an analysis of cash flow and expenditures for the depreciable portions of the project. If requested, OHCS will provide technical assistance in the completion of this analysis.

Rehabilitation Assessment Criteria

The Rehabilitation Assessment must be in a narrative form that addresses the following major components:

- Critical repair items: All health and safety deficiencies, or violations of Housing Quality Standards (or Uniform Physical Inspection Standards), requiring immediate remediation.

- Two-year physical needs: Repairs, replacement and significant deferred and other maintenance items that need to be addressed within 24 months of the date of the RA. Any necessary redesign of the project and market amenities needed to restore the property to a reasonable standard of livability should be included. These repairs are to be included in the development budget and funded by construction-period sources of funds.
- Long term physical needs: Repairs and replacements beyond the first two years that are required to maintain the project's physical integrity over the next 30 years, such as major structural systems that will need replacement during that period. These repairs are to be funded from the Replacement Reserves Account.
- Analysis of reserves for replacement: An estimate of the initial and monthly deposit of the Replacement Reserves Account needed to fund long-term physical needs, accounting for inflation, the existing Replacement Reserves Account balance, and the expected useful life of major building systems. This analysis should not include the cost of critical repair items, two-year physical needs or any work items that would be treated as normal maintenance or repair expense.

The following items need to be adequately completed and the sponsor should enlist the assistance of professionals as needed in preparing the RA. Sponsors should consider using an architect, general contractor, mechanical/structural engineer, or property inspectors, all of whom should be licensed in the State of Oregon.

- Conduct site inspections of 100% of all units (a lesser percentage may be allowed at OHCS' discretion).
- Identify any physical deficiencies as a result of a) visual survey, b) review of pertinent documentation, and c) interviews with the property owner, management staff, tenants, community groups and government officials.
- Identify physical deficiencies, including critical repair items, two-year physical needs and long term physical needs. These should include repair items that represent an immediate threat to health and safety and all other significant defects, deficiencies, items of deferred maintenance, and material building code violations that would limit the expected useful life of major components or systems.
- Explain how the project will meet the requirements for accessibility to persons with disabilities. Identify physical obstacles and describe methods to make the project more accessible, listing needed repair items in the rehabilitation plan.
- Prepare a rehabilitation plan, addressing all two-year and long term physical needs separately.
- Prepare a replacement reserve schedule, including an estimate of the initial and annual deposits, accounting for inflation and based on a 30-year term.

The premise for calculating the needs and capacity for the replacement reserve fund should be guided by the following:

- OHCS expects that projects will be maintained at a level that is comparable with the condition at the time the project was placed in service (for new construction- at the completion of construction; for rehabilitation- at the completion of rehabilitation). Repairs and replacements must be accomplished when items are damaged or show excessive wear due to use or age, and replacements must be "as good as new" or at least up to the original quality. OHCS realizes in occupied units it may be more difficult to accomplish extensive repairs and replacements (this will be evaluated on a case-by-case basis).
- Projects must be comparable in appearance to non-subsidized multi-family housing in the area with similar rents.

- Inspections are performed by OHCS as required by any program regulations and any loan regulatory documents. These inspections are intended to provide a mechanism for OHCS to address deficient findings.

APPENDIX

Calculating Unit Floor Area:

Floor areas for each unit will be calculated using the following methods, depending on the placement of each unit in a particular building:
Outside face of exterior wall to outside face of exterior wall.
Outside face of exterior wall to center of party wall.
Outside face of exterior wall to hall face of corridor wall.
Center of party wall to center of party wall.
All interior spaces, walls, structural elements and voids will be included in the calculated floor area, except as specifically excluded below.
Exclusions:
In multi-story units, the floor area dedicated to stairs should only be counted once, for a total maximum exclusion of 50 (fifty) square feet.
Vertical Mechanical and Electrical chases will be excluded from unit floor area calculations.
Balconies, porches, patios and exterior storage spaces will be excluded from unit floor area calculations.

Calculating Room Floor Area (Net Useable Area):

Floor area for each room will be calculated by measuring to the inside face of each wall.

Calculating Total Building Floor Area (Gross Area):

Total building floor area will be the sum of the areas enclosed by the exterior face of the exterior walls on each floor.
Balconies, porches and patios will be excluded from calculation of total building floor area.

Disclaimer of Liability
OHCS assumes no responsibility to make inspections during construction, and assumes no liability for construction quality or code compliance. The responsibility for the project meeting minimum health and safety standards is the responsibility of state and local jurisdictions and the project sponsor.

REPLACEMENT RESERVES SCHEDULE

Intent
OHCS expects that projects will be maintained at a level that is comparable with the condition at the time the project was placed in service (for new construction: at the completion of construction; for rehabilitation: at the completion of rehabilitation). Repairs and replacements must be accomplished when items are damaged or show excessive wear due to use or age, and replacements must be "as good as new" or at least up to the original quality.
The standards imposed by OHCS for our projects are goal-oriented. The goal is to improve the property in such a way as to maximize its expected life.

The following life expectancy information is to assist in planning the project's Replacement Reserves.

LIFE EXPECTANCIES OF HOUSING COMPONENTS

Item	Useful Life	Remarks
Footings and Foundations:		
Footings	Life	These likely to last up to 250 years. Structural defects to do develop are a result of poor soil conditions
Foundation	Life	
Concrete Block	Life	
Water proofing:		
Bituminous coating	5 yrs	
Pargeting with Ionite	Life	
Termite proofing	5 yrs	May be earlier in damp climates
Gravel outside	30-40 yrs	Depends on usage
Cement block	Life	Less strong than concrete block
Rough Structure:		
Floor system (basement)	Life	
Framing exterior walls	Life	Usually plaster directly on masonry. Plaster is solid and will last forever. Provides tighter seal than drywall and better insulation
Framing interior walls	Life	In older homes, usually plaster on wood lath. Lath strips lose resilience, causing waves in ceilings and walls
Concrete Work:		
Slab	Life	(200 years)
Pre-cast decks	10-15 yrs	
Pre-cast porches	10-15 yrs	
Site-built porches and steps	20 yrs	
Sheet Metal: Gutters, downspouts, flashing		
Aluminum	20-30 yrs	Never requires painting, but dents and pits. May need to be replaced sooner for appearance.
Copper	Life	Very durable and expensive. Requires regular cleaning and alignment.
Galvanized iron	15-25 yrs	Rusts easily and must be kept painted every 3-4 years.
Electrical Wiring:		
Copper	Life	
Aluminum	Life	
Romex	Life	
Circuit Breaker:		
Breaker panel	30-40 yrs	
Individual breaker	25-30 yrs	
Plumbing pressure pipes:		
Copper	Life	Strongest and most common. Needs no maintenance
Galvanized iron	30-50 yrs	Rusts easily and is major expense in older homes. Most common until 1940
Plastic	30-40 yrs	
Plumbing, waste pipe:		
Concrete	20 yrs	
Vitreous china	25-30 yrs	

Item	Useful Life	Remarks
Plastic	50-70 yrs	Usage depends upon soil conditions. Acid soils can eat through plastic.
Cast iron	Life	
Lead	Life	A leak cannot be patched. If bathroom is remodeled, lead must be replaced.
Heating and venting: Duct work, AC rough-in		
Galvanized	50-70 yrs	
Plastic	40-60 yrs	Type used depends upon climate.
Fiberglass	40-60 yrs	
Roof:		
Asphalt shingles	15-25 yrs	Most common. Deterioration subject to climate. Granules come off shingles. Check downspouts.
Wood shingles and shakes	30-40 yrs	Expensive. Contracts and expands due to climate
Tile	30-50 yrs	Tendency to crack on sides.
Slate	Life	High quality. Maintenance every 2-3 years as nails rust.
Metal	Life	Shorter life if allowed to rust.
Built-up asphalt	20-30 yrs	Maintenance required – exp. after winter.
Felt	30-40 yrs	
Tar and gravel	10-15 yrs	
Asbestos shingle	30-40 yrs	Shingles get brittle when walked on. Maintenance every 1-3 years
Composition shingles	12-16 yrs	
Tin	Life	Will rust easily if not kept painted regularly. Found a lot in inner-city row houses.
4 0r 5 built-up ply	15-25 yrs	Layers of tar paper on tar.
Masonry:		
Chimney	Life	
Fireplace	20-30 yrs	
Fire brick	Life	
Ash dump	Life	
Metal fireplace	Life	
Flue tile	Life	
Brick veneer	Life	Joints must be pointed every 5-6 years.
Brick	Life	
Stone	Life	Unless a porous grade stone like limestone.
Block wall	Life	
Masonry floors	Life	Must be kept waxed every 1-2 years.
Stucco	Life	Requires painting every 8-10 years. More susceptible to cracking than brick. Replacement is expensive. Maintenance cycles for all types of masonry structures, including those found in urban areas, subjected to dirt, soot, and chemicals: Caulking – every 20 years Pointing – Every 35 years Sandblasting – Every 35 years
Windows and doors:		
Window glazing	5-6 yrs	

Item	Useful Life	Remarks
Storm windows and gaskets	Life	Aluminum and wood
Screen doors	5-8 yrs	
Storm doors	10-15 yrs	
Interior doors (lauan)	10 yrs	
Sliding doors	30-50 yrs	
Folding doors	30-40 yrs	
Sliding screens	30 yrs	
Garage doors	20-25 yrs	Depends upon initial placement of springs, tracks and rollers.
Steel casement windows	40-50 yrs	Have leakage and condensation problems. Installed mostly in the 40's and 50's
Wood casement windows	40-50 yrs	Older types very drafty.
Jalousie	30-40 yrs	Fair quality available in wood and aluminum. Used mostly for porches
Wood double-hung windows	40-50 years	
Insulation:		
Foundation	Life	
Roof, ceiling	Life	
Roof – electric vent – automatic	10-15 yrs	
Walls	Life	
Floor	Life	
Weatherstripping, metal	8-9 yrs	
Weatherstripping, plastic gasket	5-8 yrs	
Exterior trim:		
Wood siding	Life	Must be kept painted regularly – every 5-7 years.
Metal siding	Life	May rust due to climate.
Aluminum siding	Life	Maintenance free if baked-on finish.
Shutters:		
Wood	20 yrs	
Metal	20-30 yrs	
Plastic	Life	
Aluminum	Life	
Posts and columns	Life	
Trellis	20 yrs	Will rot in back even if painted because of moisture.
Cornice and rake trim	Life	
Gable vents, screens:		
Wood	10-14 yrs	
Aluminum	Life	
Exterior Paint:		
Wood	3-4 yrs	Climate a strong factor.
Brick	3-4 yrs	
Aluminum	10-12 yrs	
Stairs:		
Stringer	50 yrs	
Risers	50 yrs	
Treads	50 yrs	
Baluster	50 yrs	
Rails	30-40 yrs	

Item	Useful Life	Remarks
Starting levels	50 yrs	
Disappearing stairs	30-40 yrs	
Drywall and plaster:		
Drywall	40-50 yrs	Lifetime if protected by exterior walls and roof. Cracks must be regularly spackled.
Plaster	Life	Thicker and more durable than drywall. Exterior must be properly maintained.
Ceiling suspension	Life	
Acoustical ceiling	Life	
Luminous ceiling	10-20 yrs	Discolors easily.
Ceramic tile:		
Tub alcove and shower stall	Life	Proper installation and maintenance required for long life. Cracks appear due to moisture and joints; must be grouted every 3-4 years.
Bath wainscote	Life	
Ceramic floor	Life	
Ceramic tile	Life	
Finish carpentry:		
Baseboard and shoe	40-50 yrs	
Door and window trim	40-50 yrs	
Wood paneling	40-50 yrs	
Closet shelves	40-50 yrs	
Fireplace mantel	30-40 yrs	
Flooring:		
Oak floor	Life	In most older homes, 1st story is oak, 2nd and 3rd stories are hard pine.
Pine floor	Life	
Slate flagstone floor	40-50 yrs	
Resilient (vinyl)	10-15 yrs	Because of scuffing, may have to be replaced earlier.
Terrazo	Life	
Carpeting	5-8 yrs	Standard carpeting.
Cabinets and vanities:		
Kitchen cabinets	18-30 yrs	
Bath vanities	18-30 yrs	
Countertop	18-30 yrs	
Medicine cabinets	15-20 yrs	
Mirrors	10-15 yrs	
Tub enclosures	18-25 yrs	
Shower doors	18-25 yrs	
Bookshelves	Life	Depends on wood used.
Interior painting:		
Wall paint	3-5 yrs	
Trim and door	3-5 yrs	
Wallpaper	3-7 yrs	
Electrical finish:		
Electric range and oven	12-20 yrs	
Vent hood	15-20 yrs	
Disposal	5-12 yrs	
Exhaust fan	8-10 yrs	

Item	Useful Life	Remarks
Water heater	10-12 yrs	
Electric fixtures	20-30 yrs	
Doorbell and chimes	8-10 yrs	
Fluorescent bulbs	3-5 yrs	
Plumbing finish:		
Dishwasher	5-15 yrs	
Gas water heater	8-12 yrs	
Gas refrigerator	15-25 yrs	
Toilet seats	8-10 yrs	
Commode	15-25 yrs	
Steel sinks	15-20 yrs	
China sinks	15-20 yrs	
Faucets	Life	Washers must be replaced frequently.
Flush valves	18-25 yrs	
Well and septic system	15-30 yrs	Depends on soil and rock formations.
Hot water boilers	30-50 yrs	Becomes increasingly inefficient with age and may have to be replaced before it actually breaks down.
Heating finish:		
Wall heaters	12-17 yrs	
Warm air furnaces	25-30 yrs	Most common today.
Radiant heating – ceiling	20-30 yrs	
Radiant heating – baseboard	20-40 yrs	
AC unit	8-18 yrs	
AC compressors	10-18 yrs	Regular maintenance required.
Humidifier	7-8 yrs	
Electric air cleaners	8-10 yrs	
Appliances:		
Refrigerator	15-25 yrs	
Washer	8-12 yrs	
Dryer	8-12 yrs	
Combo washer and dryer	7-10 yrs	
Garage door opener	8-10 yrs	
Disposal units	8-10 yrs	
Dishwasher	8-12 yrs	
Appointments:		
Closet rods	Life	
Blinds	10-15 yrs	
Drapes	5-10 yrs	
Towel bars	10-15 yrs	
Soap grab	10-12 yrs	
Others:		
Fences and screens	20-30 yrs	
Splash blocks	6-7 yrs	
Patios (concrete)	15-50 yrs	
Gravel walks	3-5 yrs	
Concrete walks	10-25 yrs	
Sprinkler system	15-25 yrs	
Asphalt driveway	5-6 yrs	With patchwork may last 15-20 years.
Tennis court	20-40 yrs	

FREQUENCY OF PRODUCT REPLACEMENT IN RENTAL PROJECTS

	Within 2 years	3-4 years	5-6 years	7-8 years	9-10 years	Over 10 years	Not re-Placed by land Lord
Air conditioners	.04%	1.5%	7.5%	11.7%	10.0%	41.5	27.4%
Bathtubs/fixtures	0.7	2.2	3.3	3.8	7.5	70.6	11.9
Carpeting	1.5	13.5	35.1	23.9	8.9	9.1	8.0
Dishwashers	0.4	1.8	11.7	12.4	10.4	33.9	29.4
Faucets	2.0	8.4	16.2	7.7	14.4	46.2	5.1
Flooring, resilient	1.1	6.6	21.5	19.2	19.2	25.3	7.1
Furniture/furnishings	2.0	4.4	5.5	5.3	5.3	6.9	70.6
Hardware/locksets	7.3	7.7	13.3	7.1	10.4	45.2	9.0
Heating Equipment	0.4	1.8	4.9	4.9	10.4	71.0	6.6
Laundry Equipment	0.4	4.2	13.5	11.1	10.2	21.7	38.9
Lighting/Electrical fixtures	0.9	3.3	6.2	8.8	12.4	58.7	9.7
Ovens/Ranges	0.2	1.5	7.1	8.6	14.6	57.4	10.6
Paint	37.6	41.3	13.7	2.0	0.9	1.8	2.7
Refrigerators	0.2	1.5	7.1	8.6	14.6	57.4	10.6
Shower Surrounds	1.3	1.8	7.1	6.9	7.1	55.4	10.4
Wall Coverings	7.3	13.5	17.7	7.7	5.1	9.7	39.0

Source: Multi-Housing News

Section 8: Low Income Housing Tax Credit Program Description and Requirements

LOW INCOME HOUSING TAX CREDIT PROGRAM (LIHTC)

Amendments to LIHTC Program

Each state is allocated annual tax credits in an amount equal to $2.30 per state resident for 2009 with an increase indexed to inflation thereafter. Recent congressional action through the Housing and Economic Recovery Act of 2008 (HERA) and Internal Revenue Service rulings have brought about the following changes to the LIHTC Program:

- For newly constructed non-Federally subsidized buildings placed in service after July 30, 2008, and before December 31, 2013, the applicable percentage will temporarily be no less than 9%.
- The definition of a Federally subsidized building for the purposes of determining eligible basis has been limited to any obligation on which the interest is exempt from tax under section 103. Thus, additional buildings may become eligible for the 70% credit.
- Substantial rehabilitation expenditure requirements must equal the greater of an amount that is 1) at least 20% of the adjusted basis of the building being rehabbed; or 2) at least $6,000 per low income unit in the building being rehabbed. The $6,000 minimum is indexed to inflation.
- Community service facilities can be used to generate credit if the facility is designed to serve primarily low income individuals whose income is 60% or less of area median income. The size of the community service facility may not exceed the sum of 1) 25% of the eligible basis of up to $15,000,000 [of the qualified tax credit project of which it is a part]; and 2) 10% of any excess over $15,000,000 of the eligible basis [of the qualified tax credit project of which it is a part].
- All projects that receive a reservation of Low Income Housing Tax Credits will have twelve months from the date of their carryover allocation to meet the Ten Percent of Costs Incurred Test (10% test). The 10% test requires third party certification of incurred project costs to date be presented to OHCS for review and acceptance.
- The basis reduction rule has been clarified to apply to Federally-funded grants received before the compliance period. No basis reduction is required for Federally-funded grants for the property to be rented to low income tenants received during the compliance period if those grants do not otherwise increase the taxpayer's eligible basis in the building.
- The 10% attribution rule has been repealed. This was used to determine whether parties are related for purposes of determining whether an existing building qualified for the low income housing credit. Under HERA, two persons are related for this purpose if they bear a relationship to each other specified in sections 267(b) or 707(b)(1) (related to the disallowance of losses).
- The 10 year rule has been amended with a new exception which waives the 10-year rule in the case of any Federally- or State-assisted building. The definition of Federally-assisted building is expanded to include any building which is substantially assisted, financed, or operated under section 8 of the Housing Act of 1937 along with various other sections of the National Housing Act, section 515 of the Housing Act of 1949 or any housing program administered by HUD or Rural Housing Service of the Department of Agriculture (RD).
- OHCS must provide a preference for projects that: 1) include energy efficiency features in the project and 2) consider the historic nature of the project (e.g. encouraging rehabilitation of certified historic structures.)
- The area median gross income applied for residential rental property located in certain rural areas is modified in the case of projects subject to the low income housing tax credit volume limits. The income targeting rules of the housing credit are applied by reference to the greater of the otherwise applicable area median gross income standard or the national nonmetropolitan median gross income (for 2008, it is $49,300 for a family of four).
- OHCS must provide a preference for projects located in HUD-determined Qualified Census Tracts (QCT), the development of which contributes to a concerted community development

plan. A 130% bonus is available to projects located in QCTs, which are defined as census tracts in which 50% or more of the households are at or below 60% of area median income, as well as census tracts with a poverty rate of 25% or higher. To determine if your project is located in a QCT, access the following web site: http://qct.huduser.org/QCTGIS/USMainLand/Map.aspx.

  - For details on the state's use of the basis boost, as per HERA, please see the 2009 Amended QAP.

- Allows OHCS, at its discretion, to award credits in a manner not in accordance with the requirements of the Qualified Allocation Plan. Should an award be made that is not in accordance with the requirements of the Qualified Allocation Plan, OHCS must document this allocation in writing to the general public.
- IRC Section 42 requires a comprehensive market analysis of the housing needs of the low-income individuals in the area served by each housing credit project. The analysis must be conducted at the developer's expense and submitted with the application. A disinterested party approved by the allocating agency must conduct the analysis. (See the Market and Rent Assessment section of the application for more information.)
- Owners of projects that have loans that are defined as cash flow only, deferred payment or partnership loans must be prepared to provide a letter from independent tax counsel or tax accountant to the effect that the loan has a reasonable expectation to be repaid to allow the loan proceeds included in basis. This letter will be required at Final Application if budget materials indicate project cash flows cannot pay off the loan in the identified loan term.

Introduction

The Low Income Housing Tax Credit (LIHTC) was enacted by Congress to encourage new construction and rehabilitation of rental housing for low-income households. In establishing the tax credit incentive, Congress recognized developers may not receive enough rental income from a low-income housing development to: 1) cover the costs of developing and operating the project, and 2) provide a return to investors sufficient to attract the equity investment needed for development. To spur investment, Congress authorized the states, within specified limits, to allocate tax credits to qualifying housing projects. The credits may be shared among owners (equity investors), much as income and losses are shared among business partners for tax purposes. Generally, the investors are recruited by syndicators, and ownership rights are controlled by limited partnership agreements.

The amount of LIHTC that may be awarded to a building is based upon the cost of the building and the portion of the project that low-income households will occupy. The cost of acquiring, rehabilitating, and constructing a building constitutes the building's eligible basis. The portion of the eligible basis attributable to low income units is the building's qualified basis. In general, the qualified basis excludes the cost of land, obtaining permanent financing, rent reserves, syndication and marketing. The applicable percentage of the qualified basis may be claimed annually for 10 years as the low income housing tax credit.

The LIHTC program is jointly administered by the Internal Revenue Service (IRS) and state tax credit allocation agencies, such as Oregon Housing and Community Services (the "Department"). Credits are provided to states to allocate to eligible affordable housing projects. These credits are considered to be under the State's per capita credit authority and are a limited and scarce resource.

Overview of the Credit Allocation and Review Process

Under Section 42 of the Internal Revenue Code, OHCS is responsible for determining which applicants should receive the tax credit and the dollar amount of credits each should receive. In making these determinations, OHCS must comply with federal requirements and meet the following program goals:

- Give preference to projects that provide housing to households with the lowest incomes for the longest period of time,
- Assist in affordable housing development in areas with the greatest low income housing needs,
- Provide housing for special needs populations,
- Encourage equitable allocation of credits across the state,
- Support housing for families with children,
- Support housing in Qualified Census Tracts and/or areas where community revitalization is a local priority,
- Encourage resident services and community involvement,
- Provide an allocation of tax credits in an amount sufficient to make the project financially feasible and viable as a low-income housing project throughout the compliance period.

In addition, OHCS may supplement these general goals with more specific local goals in order to meet local low-income housing needs. This may include but not be limited to:

- Mixed income projects where appropriate,
- Mixed use projects where appropriate,
- Acquisition and rehabilitation of expiring use projects,
- Housing near employment centers,
- Approaches in design, planning, building and financing of low income housing that maintain quality and long term sustainability, durability and ease of maintenance of affordable units,
- Other goals as determined locally or by OHCS.

Tax credits are awarded on a per building basis. For a particular building to qualify for tax credits, it must be a part of a low income housing "project". To qualify for consideration for credits a project must:

- be residential rental property
- make an election to restrict both rent and income as follows:
  <u>Rent</u>: restrict rents (including utility charges) for tenants in low income units to 30 percent of either the 50 percent area median income as adjusted for family size or the 60 percent of area median income as adjusted for family size. Rents may be further limited based upon the limitation selected and other representations made in the application to OHCS.
  <u>Income</u>: maintain at least 20 percent of the available units for households earning up to 50 percent of area median income as adjusted for family size, **or** maintain at least 40 percent of the available units for households earning up to 60 percent of area median income as adjusted for family size.
  <u>Maintain habitability standards</u>: if the project involves rehabilitation, there must be expenditures of at least $6,000 per unit or 20 percent of the unadjusted basis of the building, whichever is greater
- operate under the program's rent and income restrictions for a minimum 30 year extended use time period.

The OHCS application process was created in accordance with the requirements of Section 42 of the Internal Revenue Code to select proposals for tax credit awards. The application process is more fully described later in this document. OHCS may not award more credits to a project than are required to make the project financially feasible. In evaluating projects, OHCS must consider any proceeds or receipts expected to be generated through tax benefits, as well as the reasonableness of development hard and soft costs. In general, the IRS expects OHCS to compare the proposed project's development costs with the non-tax credit financing, both private and public. The difference between the costs and the sources to finance the costs is the financing gap. Tax credits may be used, up to a ceiling, to attract the equity investment to fill this gap.

Once credits have been awarded to a developer, the developer typically sells the credits to private investors. The private investors use the credits to offset taxes otherwise owed to the federal government. The money private investors pay for the credits is paid into the project as equity financing. This equity financing is generally used to fill the gap between the development cost of a project and the non-tax credit financing sources available, such as mortgages, that could be expected to be repaid from rental income.

Owners must place the project in service no later than December 31 of the allocation year (for competitive projects); unless a Carryover allocation is obtained. If a Carryover allocation is obtained, the project must be placed in service no later than December 31 of the second year following the original allocation. Investors can claim the credits for each year of a ten year period (called the "credit period") as long as the project is **operating in accordance with the representations made to OHCS in its application for credits and in accordance with IRS regulations.** Individual and corporate investors send the IRS Form 8609 (initially obtained from OHCS in the first year of placed in service), "Low Income Housing Credit Allocation Certification" to the Internal Revenue Service, PO Box 331 Attn: LIHC Unit DP 607, South Philadelphia Campus, Bensalem, PA 19020 and a copy of the completed form to OHCS, PAES Department, 725 Summer Street NE, Suite B, Salem OR 97301-1266 when they claim the credits.

Once a project has been placed in service, OHCS is responsible for monitoring the project for compliance with state and federal requirements concerning household income, rents, project habitability, resident services and other requirements as represented in the application, Declaration of Land Use Restrictive Covenants and other agreements. If noncompliance is discovered, OHCS must report the event of noncompliance to the IRS and if the non-compliance is not corrected, the IRS may recapture or deny credit for previously used or issued tax credits. The IRS issues regulations on monitoring requirements that OHCS follows. These regulations are described in the Tax Credit Compliance Guidebook (available from OHCS upon request).

Application for LIHTC Funding
To apply for tax credits, a developer must submit a detailed proposal to OHCS in the format prescribed which incorporates the specific requirements listed below.

All projects, including those competing for set-asides, will be evaluated by OHCS on the criteria described in the application package and the Qualified Allocation Plan. The evaluation process is based upon criteria established in response to the local or State's low-income housing priorities as designated by the Consolidated Plan, and those categories required under amended IRC Section 42.

Notwithstanding anything else herein to the contrary, OHCS reserves the right to reject any application of tax credits if, in its judgment, the proposed project is not consistent with the goals of providing decent, safe and sanitary housing for low-income persons as set forth in its enabling legislation, does not meet the requirements of IRC Section 42, as amended and all regulations promulgated there under, or is not consistent with OHCS's mission and value statements. OHCS may impose additional conditions on any project applicant.

Threshold Criteria
All projects must achieve a minimum standard, as established by OHCS in this application packet and described in each of the following threshold categories. Failure to achieve the minimum standard will cause the application to be pulled from further review.

Site Control All applicants must demonstrate site control. Evidence of site control can include: fee simple title, evidence from the local government demonstrating their intent to transfer property, or a contract or agreement demonstrating site control, including an option on the property.

Zoning Applicants must attach a certification completed by the local planning department indicating that the property is properly zoned for the use intended, or the intended use is allowed with conditions and application has been made for a conditional use permit. Under no circumstances will anything other than the department-approved certification included in this application be accepted as evidence of proper zoning. Projects requiring zone changes or annexations do not meet the threshold.

Site Review and Environmental Review All applicants must complete the Environmental Review Checklist. OHCS' Regional Advisor to the Department (RAD) will review the information on the form during the site review. The Environmental Review Checklist is included in the application materials.

Architectural Review
The architectural plans identified in the application must be submitted for initial review by the department architect, division administrator and department director.

Sponsor Capacity
Sponsors must be able to demonstrate an understanding of the Low-Income Housing Tax Credit Program, and proficiency with housing-related development. No sponsors with limited multi-family experience will be excluded from the application process as long as they engage the services of qualified development team members. Additional consideration may be given to program sponsors who have consistently completed their projects in accordance with representations made in their applications, and who are maintaining their project in compliance with tax credit program policies and procedures and federal regulations.

OHCS may reject applications from previous program participants who have failed to demonstrate proficiency with the LIHTC Program or other government-funded housing programs. OHCS may also reject or discount an application from previous program participants who have failed to complete their projects in accordance with their applications and/or certified plans presented to OHCS or other public or private allocating agencies, or who have failed to effectively utilize previously allocated tax credits, or who have been found to be in chronic non-compliance with program rules as evidenced by Department or other public or private allocating agencies' project monitoring.

Financial Feasibility
Tax credits for a project may not exceed the amount necessary for the financial feasibility of the project. Financial feasibility analysis will include a comparison with current market costs and an assessment of the reasonableness of projected cost components and operating expenses. OHCS' project evaluation will utilize common lending standards and underwriting criteria for evaluating multi-family projects. Basic criteria include, but is not limited to:

- **Primary** Debt Service Ratio no lower than 1.15 and no higher than 1.20 (unless accompanied by an explanation from the lender)
- Maximization of Loan to Value ratios and documentation thereof *from the project lender*
- New construction hard costs are no more than $162 per square foot unless adequately justified by community constraints or building type
- Developer fees in accordance with Department policy (as stated herein)
- Reasonable operating expenses, as determined by OHCS for the project size, type and population to be housed, *including:*
- Operating reserves of 4 to 6 months operating expenses (minimum). Reserves less than or in extreme excess to this will be approved on a case-by-case basis with justification.

- Replacement reserves of no less than $250 per unit per year for new construction development for seniors and $300 per unit per year for new construction development for families and rehabilitation developments. These figures are guidelines. A more precise measure of reserves needed, will come from a carefully prepared Reserve for Replacement schedule.
- Acquisition price for acquisition of buildings or land shall be limited to the appraised value as determined by an independent third party certified appraiser
- Ability of the project to demonstrate long term financial viability via a 30 year projection
- Tax Credit pricing at or above current market rates.

Note: Tax exempt bond projects with funding gaps requesting Consolidated Funding Cycle funds to fill the gaps may be required to apply for these funds during the normal CFC application round.

OHCS reserves the right to determine, in its sole discretion, whether the 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 financing source or financing terms after reservation of credits may, in the sole discretion of OHCS, result in all or a part of the credits being recaptured or reduced by, or returned to, OHCS.

Architectural/Site Review

In response to a legislative mandate for promoting good quality in the development, design and construction of publicly funded housing, OHCS has adopted *Architectural Requirements* for all LIHTC projects. These requirements are minimum standards that apply to new construction and to the renovation of existing structures. They promote long-term livability and the wise use of public investment by addressing Site Design, Building Design and Unit Design issues. The standards are listed in the "Architectural Standards and Product Replacement" section of the application along with specific architectural submittal requirements.

After passing the Threshold architectural review, the OHCS architect reviews projects twice more before construction can begin. Preliminary Architectural Review is made during the Schematic and Design Development phases of a project. Final Architectural Review is then made when Drawings and Specifications are nearly complete and before the project is submitted for building permit.

Sometimes, after studying the requirements and preparing a rough feasibility analysis, the sponsor and architect may have remaining questions about the Architectural Requirements and the Architectural Review Process. In that case a pre-application conference with OHCS may be useful before submitting all the documents necessary for the formal application.

Changes made to architectural designs after the award or reservation of credits must be documented and are also subject to OHCS architectural approval.

Long-Term Affordability

All tax credit developments are subject to an extended use affordability period of a minimum of 30 years. This Extended Use commitment is defined under IRC Section 42 regulations as 15 years beyond the initial 15-year compliance period for a total of 30 years.

Resident Services

Sponsors who receive OHCS resources, including but not limited to LIHTC, must include in their affordable housing development a provision for residents to access services appropriate to the identified needs of the target population. The anticipated outcomes of the resident service plans are:

- Through coordination, collaboration, and community linkages, provide residents the opportunity to access appropriate services which promote self-sufficiency, maintain independent living, and encourage positive life choices; and
- To effectively maintain the fiscal and physical viability of the development by incorporating into the ongoing management appropriate services that address resident issues as they may arise.

Project evaluation will reward projects offering appropriate resident services. Applicants are encouraged to build services provisions into their operating expense budgets.

Resident services are not intended to be limited to services provided on site, residents at risk or with special needs, nor is participation in services mandatory for residents. It is intended to be a support system integrated into the housing and available to all residents. Resident services can be incorporated into the operation and management in a variety of ways. Common to many models, however, are the goals of helping residents achieve greater social and economic self-sufficiency and an enhanced quality of life. While service-enriched housing offers assistance to residents facing a crisis, it should also focus on addressing problems and linking residents to community resources. The most effective service-enriched housing encourages and supports resident participation in the decision making process.

Housing Need and Demand

The project sponsor must be able to demonstrate evidence that the project is meeting a clear need in the community in which it is sited. This must include a discussion substantiating community need as well as market information as per the application materials. Please see the Market and Rent Assessment section for additional information.

Policy on Material Participation By Nonprofit Organizations

It is preferred that Material Participation of the nonprofit be demonstrated as if the applicant is applying under the 10% nonprofit set aside. For partnerships, turnkey or joint ventures that have as a general partner or co-general partner a local tax-exempt nonprofit organization, OHCS expects material participation by the said local tax-exempt nonprofit organization to include, but not be limited to:

- Participation in developer fees and excess cash flows of at least 25% of the proceeds.
- Participation in project oversight and decision making, such as direct involvement in application preparation, direct involvement in discussions for construction, bridge and debt financing, a close working relationship with the property management firm, and tenant selection. The project must demonstrate an ability to further the nonprofit's charitable mission and there should be an ability on the part of the nonprofit to override any fiduciary duty to the owners when that duty conflicts with the charitable mission of the nonprofit.
- Provision of assistance that empowers the nonprofit and enables it to gain expertise.
- It is further required that the said nonprofit NOT be affiliated with or controlled by a for profit organization.

Eligible Applicants

There are no restrictions concerning who may apply to OHCS for an allocation of LIHTC.

Basic Eligibility and Considerations for all Applicants

In order to be eligible to receive an allocation of LIHTC, a project must be considered a "qualified low income housing project". To meet this test, a project must be a **residential rental property**. For the purposes of Section 42, the definition attributed to "residential rental property" is generally the same as applied to tax-exempt rental housing bonds. This definition focuses on the following issues:

- Residential rental properties must include separate and complete facilities for living, sleeping, eating, cooking and sanitation.

- In addition to actual residential units, functionally related and subordinate facilities may be included in eligible basis if they are available to all tenants with no additional fees attached to them.
- A scattered site project may be treated as a single project if **all** units in the building are rent-restricted. A scattered site is a project where multiple buildings with similar units are located on separate sites, within management proximity to one another, owned by the same party, managed by the same party, and financed under the same agreement. All Scattered Site Projects must be 100% affordable.
- If a building consists of both residential and nonresidential areas, the nonresidential portion will not preclude the residential portion from qualifying for credit. Determinations will be made on a reasonable basis to ensure that the costs for the commercial use portion of such a mixed-use building are not in the credit computation.
- Residential rental units must be available for use by the general public in a nondiscriminatory manner. Definitions and authority regarding public use and discrimination are provided by Housing and Urban Development (HUD).
- For a project to qualify for a credit award, it must meet a minimum low income set aside requirement.
- The cost and qualified basis of a community room in a phased project must be carried by both phases. The department must receive a copy of an agreement detailing the division of liability, cost burden, etc. between the phases.

A building owner must elect and fulfill one of the following low-income set asides:

> **the 20/50 test**: at least 20% of the units must be both rent restricted and occupied by tenants with incomes at or below 50% of area median income as adjusted for family size (as determined by HUD)
>
> **the 40/60 test**: at least 40% of the units must be both rent restricted and occupied by tenants with incomes at or below 60% of area median income as adjusted for family size (as determined by HUD)

The minimum set aside is the election that commits the building owner to a specific income level which will serve to define low income for that building. Under a 20/50 election, an owner that claims 100% of units as eligible for LIHTC must rent all units to households at or below 50% of area median income as adjusted for family size in order to claim 100% of the credit.

Other Key Application Requirements

- The owners are required to sign all OHCS's legal documents relating to the LIHTC program, including the Reservation Agreement, Declaration of Land Use Restrictive Covenants and other documents as deemed necessary by OHCS.
- Applicants will be evaluated based upon information submitted in the application.
- The application charge as described in the **Application Overview** section of this application is due with application submittal. The charge is non-refundable. Please see the application materials for proper charge transmittal format.
- If awarded a reservation of credits, a reservation charge as stated in the **Application Overview** will be required at the time of signing the reservation agreement. **Do not send the reservation charge with the application**.
- Recipients of awards must sign the Hold Harmless, Acceptance of Credit Offer and the Reservation and Extended Use Agreement in a timely manner. The reservation of credits will not be made and secured without these documents being fully executed.
- Compliance monitoring charge as stated in the **Application Overview** must be included in the operating expense budget.

Allocation Limitations
During the application process, the following limitations shall apply:

- The maximum amount of tax credits awarded per project is no more than 10% of the previous year's State of Oregon annual cap awarded. (see the Competitive Allocation Limitations Policy in the Amended 2009 QAP) For 2008, the state's per capita award was roughly $8.25 million credits, including the award of credits received mid-year in 2008 resulting from the Housing and Economic Recovery Act of 2008. Therefore, the maximum credit award per project for the 2009 credit year will be $825,000 in annual credits.

- Tax Credit Offers to Reserve and/or Carryover Allocations may not be transferred without Department approval. For projects with a nonprofit sponsor applying for the 10% nonprofit set-aside, it is required that the nonprofit applicant(s) materially participate in the development of the project; any changes in General Partner status without the consent of OHCS may result in forfeiture of the Offer to Reserve or Carryover Allocation.

- OHCS will diligently enforce all agreements, warranties and representations of the sponsor regarding the project, especially those made in the Initial Application as well as those made in the Reservation and Extended Use Agreement. Failure to perform or demonstrate progress may jeopardize the reservation for Carryover Allocation, tax credits previously awarded, and potential future allocations.

Tax Credit Reservations are made based upon representations in sponsor applications. Once a Reservation and Extended Use Agreement has been offered or executed, written approval for any changes to the project must be obtained from OHCS. This approval shall be made in a timely manner and will not be unreasonably withheld. Changes requiring such approval include but are not limited to:

- Changes in the project's composition may be approved provided the project continues to maintain an evaluation ranking equal to or greater than those awarded to the original project. A re-evaluation of the project is necessary if there are material changes to the project scope. Applicants will be required to submit an amended application, and an additional application charge may be required.
- Composition of the partnership.
- Lender/Equity investor changes.
- Changes in the unit mix or number of units.
- Changes in cost.
- Changes in management agent.
- Any others OHCS in its discretion deem to be substantive changes.

No executive, employee or agent of Oregon Housing and Community Services or any other official of the State of Oregon, including the Governor thereof, shall be personally liable concerning any matters arising out of, or in relation to, the allocation of Low-Income Housing Tax Credits, or the approval or administration of this plan.

Qualified Census Tracts or Difficult Development Area as Identified by HUD

NOTE:
The LIHTC Program Description and Requirements Section of this Application list Difficult to Develop Areas (DDAs). The eligible basis of a project located within a DDA may be increased up to 30 percent. Only the eligible basis attributable to new construction or rehabilitation qualifies for the basis boost. Acquisition expenses **do not** qualify for the basis boost.

The listing of DDAs is prepared annually by the United States Department of Housing and Urban Development (HUD) and is subject to change without prior notice. A revised list is typically published in the Federal Register in the middle of December each year. To determine if your project is located in a QCT or DDA, access the following web site: http://qct.huduser.org/QCTGIS/USMainLand/Map.aspx.

Projects receiving a forward allocation of Low Income Housing Tax Credits are always at risk of losing their DDA status prior to receiving an allocation of tax credits. On November 2, 2004, HUD issued a new rule on the effective dates for DDAs. This was published in Federal Register / Vol. 69, No. 211. This notice changes the definition of effective date to correspond to the filing date of an application for low-income housing tax credits or tax-exempt bond financing. The notice extends the effective date for areas designated as DDAs in effect in the year the application is received and the allocation of credits to an applicant is made no later than the end of the 365-day period after the submission of a complete application by the applicant to the credit allocating agency. Remember, a project receives the official allocation of tax credits at the time of carryover, **not** at the time of funding reservation.

Projects located in Difficult to Develop areas and Qualified Census Tracts may be eligible for additional credits. The maximum credit to such projects is calculated by increasing the eligible basis by 130 percent. Effective for tax credit allocations made after September 3, 2008, the following counties are designated as Difficult to Develop (DDA) and thereby ELIGIBLE for the 130% increase:

Clatsop, Coos, Crook, Curry, Douglas, Gilliam, Grant, Hood River, Josephine, Lincoln, Linn, Morrow, Tillamook, Wallowa and Wheeler Counties.

The qualified census tract areas are listed below for the following counties. This most recent available listing was published in the Federal Register on December 12, 2002 and supplemented on December 19, 2003 and is available at www.taxcredithousing.com. As of September 18, 2007, the QCTs for 2007 remain in effect for 2009.

METROPOLITAN QUALIFIED CENSUS TRACTS

Benton County (Corvallis)	7.00, 8.02, 11.01, 11.02
Jackson (Medford-Ashland)	1.00, 2.02, 2.03, 19.00
Lane County	31.02, 37.00, 38.00, 39.00, 42.00, 48.00
Marion County (Salem)	2.00, 4.00, 5.00, 7.00, 8.00, 9.00, 10.00, 17.01
Multnomah County (Portland)	11.01, 21.00, 22.01, 22.02, 23.01, 33.01,34.01, 34.02, 40.01, 42.00, 49.00, 51.00, 52.00, 53.00, 54.00, 55.00, 56.00, 76.00, 83.01, 96.06, 98.01
Washington County	332.00

NONMETROPOLITAN QUALIFIED CENSUS TRACTS

Clatsop County	9503.00
Jefferson County	9604.00
Klamath County	9716.00, 9717.00, 9718.00
Malheur County	9704.00
Union County	9707.00

To determine if the project is located in a qualified census tract (QCT) or a Difficult to Develop Area (DDA), consult the latest information available from the United States Department of Housing and Urban Development (HUD) or visit their web site.

Projects with Project Based Vouchers – Final Rule Change
HUD has issued a new final rule which deletes the Project-Based Voucher (PBV) Program Final Rule established October 13, 2005. That rule stated that LIHTC projects with PBV units must limit rents to the lower of the tax credit rent minus utility allowance, the reasonable rent or the rent requested by the owner. The new final rule reinstates the former policy under which public housing agencies do not have to limit their Section 8 Project-Based Voucher rents to tax credit caps.

LIHTC Documents
LIHTC legal documents, including the Reservation and Extended Use Agreement, Carryover Agreement, Declaration of Land Use Restrictive Covenants, as well as a schedule of documents required at time of Placed-In-Service have been approved by the Attorney General. It is expected they will be signed as written. Any proposed changes must be in writing, must allow adequate time for review and comment, and must be approved by OHCS.

Reservation of Credits
Upon granting a conditional reservation for tax credits, OHCS will notify the Chief Executive of the designated jurisdiction within which the planned housing development is to be located.

Those projects receiving a conditional Offer to Reserve Tax Credits must comply with all conditions outlined in the Acceptance LIHTC Award Letter within the time period specified in the Reservation/Award Letter, in order to receive a tax credit commitment. Credits which have been offered, but not accepted by the Applicant within 30 days, will become available for redistribution.

Prior to December 1 (or the next business day) of the tax credit year, tax credit recipients <u>must</u> have signed and demonstrated compliance with the Carryover Agreement in order to have secured their credit allocation. (See CARRYOVER REQUIREMENT section following in this document.)

OHCS may agree to extend reservations or make a forward commitment into the next tax credit year, if OHCS determines that it is appropriate and permitted under IRC Section 42.

Adjustment of Tax Credit Amount
OHCS will conduct as many as four project evaluations to determine the credit reserved, committed and/or allocated to a project does not exceed the amount necessary for financial feasibility. OHCS will conduct these evaluations upon receipt of the Application, upon any requests for an increase in the amount of awarded tax credits, at the end of the allocation year for the Carryover Agreement, and after the building has been Placed-In-Service (final application). The owner will be required to submit a final update to the application with certified costs when the project is Placed-In-Service. OHCS reserves the right to adjust the amount of tax credit and to negotiate modifications to the proposed project plan and budget. OHCS shall have authority to request additional information from the applicant as necessary.

Project costs will be evaluated against industry cost standards, as well as average costs from competing projects, and OHCS may request substantiating documentation. Projects with excessive costs will be subject to adjustments to the amount of credit requested. During each evaluation, OHCS will determine the amount of credit to be reserved, committed or allocated by considering, but not limited to, the following components of each project:

- Total project costs;

- Funding sources available to the project:
  - a) Loans
  - b) Grants
  - c) Tax Credit Proceeds
  - d) Owner Equity
- Percentage of the housing credit dollar amount used for hard costs (actual construction costs, including builder's and contractors fees);
- Projected operating income and expense, cash flow and tax benefits;
- Maximum tax credit eligibility;
- Debt Service Coverage Ratio compared to commercial lending practices; and
- Project reserves.

OHCS will use current market guidelines to estimate the proceeds anticipated from the sale of tax credits. A copy of the Placement Memorandum or Syndication Agreement must be provided to OHCS no later than the date upon which the sponsor applies for Placed-In-Service allocation. If said document has not been finalized, a draft Placement Memorandum or Syndication Agreement or Limited Partnership Agreement will be acceptable. When actual proceeds are determined, there may be an adjustment to the credit reserved or committed. Credits will not be increased beyond the amount originally reserved unless application amendments are submitted and the request is approved by OHCS's Finance Committee. Tax credits will not be allocated to projects in excess of the amount necessary to fund the equity gap as determined by OHCS using the value of the credit (expressed as a percentage of the total ten-year credit) established at the time of application. If actual project costs or funding sources differ substantially from the projections submitted in the application, OHCS may reduce the final credit allocation or the Owner may establish project reserves to offset the deficit for allowable purposes. The conditions for such reserve accounts will be determined on a case-by-case basis.

Project soft costs include developer fees, consultant fees and syndication fees. Total project costs include all costs attributable to basis, other than land, syndication fees (if any), development fees and tax credit application charges. OHCS requires full disclosure of all fees paid to <u>parties related to the sponsor and/or developer</u>. If an <u>identity of interest exists</u> between the developer and general contractor, contractor profit, including supervisory fees, <u>may not exceed eight percent</u> of the construction contract and <u>contractor's overhead may not exceed two percent</u> of the construction contract. Developer fees shall include: developer overhead, profit, and consultant fees for services normally performed by the developer.

Additional eligible basis will be considered for projects located in HUD's designated "Hard to Develop Areas" and "Qualified Census Tracts" if deemed necessary for the viability of a project by OHCS. The amount of tax credits allocated to a project will be limited by the evaluation process.

Carryover Requirement
If a project is not placed in service by December 31 of the year tax credits are awarded, it will lose the credits awarded to it unless it meets the requirements of a Carryover Allocation. Project buildings may qualify for a carryover allocation if, prior to December 31:

- An application for a carryover allocation is submitted by December 1 of the year of the tax credit allocation and includes all required documentation. Applications received after December 1 of the credit year are subject to a late charge (see **Application Overview**).

- The time for satisfying the 10% test and submitting related documentation will be the later of 12 months after the date of carryover allocation, or December 31 of the tax credit allocation year. The 10% test is verification that the owner has incurred, by the close of the calendar year of the allocation, costs totaling more than 10% of the reasonably expected basis in the project.
- If the owner has not secured the land, i.e., the land is otherwise neither secured or encumbered for the duration of the period of project affordability, the applicant must continue to maintain site control until the time required for meeting 10% of the reasonably expected basis test.
- Sponsors should contact OHCS to obtain the carryover application materials required when applying for a carryover allocation.

A project receiving a Carryover Allocation must be placed in service no later than the close of the second calendar year following the calendar year in which the allocation was made (e.g., if the project receives 2009 credits, it must be placed in service by December 31, 2011).

The Carryover application will request the following information:

- An interim financial feasibility analysis. The Sponsor must provide OHCS with the following information as soon as possible after the project has received its Reservation **but in no case any later than *December 1* of the year of the credits.** The following documentation must be submitted in order to initiate the Carryover Allocation review process:
    - Updated project pro formas, including sources and uses, income and expenses.
    - Certification of all subsidies and grants;
    - Third party certification that the owner's basis (incurred costs) in the project is more than 10% of the anticipated basis of the completed project;
    - Certification that the owner has received title to the project site.
    - Copy of **draft Partnership Agreement** indicating tax credit proceeds available to the project together with a contribution schedule.

Once OHCS has received and reviewed all necessary documents, a determination that the carryover requirements have been met will be made. OHCS will then prepare a Carryover Allocation Agreement. The Carryover Allocation Agreement will be provided to the IRS along with OHCS's filing for Low Income Housing Tax Credit purposes.

The Carryover Allocation Agreement must be executed before December 31 in the year of the credit. Failure to execute the document will result in a loss of LIHTC to the development.

The Department may revoke a reservation of credits if the Department, in its discretion, believes (based on thorough analysis), that more than 10% of the total estimated project cost will not be expended within twelve months of the allocation date or end of the calendar year in which the Carryover Allocation is made (whichever is later). Furthermore the Department may revoke a reservation of credits if the Department, in its discretion, believes the project will not be placed in service within two years following the calendar year in which the Carryover Allocation is made or by the dates mutually agreed upon.

Placed-in-Service

Once a project has been Placed-In-Service, OHCS can begin the final review process for issuing IRS Form(s) 8609. The process begins when the owner submits a request for Issuance of IRS 8609.

The request for Issuance of IRS 8609 (Final Application) must be submitted to the department no later than 6 months after the last building is placed in service, or in the case of acquisition

rehabilitation when the project is substantially complete. Applications received later than 6 months are subject to a late charge, as described in the Application Overview.
A final financial feasibility analysis will be required before OHCS issues the IRS Form(s) 8609. Allow a minimum of thirty days for this review. The Sponsor must provide OHCS with the following information:

- the Final Application, as posted on the OHCS website;
- certification of final costs by a third party professional such as an accountant or a tax attorney,
- copies of the Certificates of Occupancy;
- copy of the Cost Certifications required by lender or syndicator;
- copy of Placement Memorandum or Syndication Agreement indicating tax credit proceeds available to the project together with a contribution schedule;
- a opinion letter from the tax accountant or tax attorney that all deferred payment loans, cash flow only loans or partnership loans have a reasonable expectation to be repaid, if the loan/s is/are **kept in basis**;
- an approved Resident Services Plan;
- copy of the Property Management Plan acceptable to OHCS and Permanent lender;
- a Certification from the Sponsor's architect; if applicable, and,
- any other documentation OHCS requests based upon representations made in the application.

Payments or charges over and above what is represented to OHCS in the application(s) or other documents and misrepresentations of any sort will be subject to remedial action at OHCS' discretion. In instances where there are unsubstantiated costs or charges, OHCS may request a third party audit at the expense of the developer before action on the project's Placed-In-Service application.

Recordation of the Declaration

Once OHCS has received and reviewed all necessary documentation, a determination of the final tax credit allocation amount will be made. OHCS will then prepare an Attorney General approved Declaration of Land Use Restrictive Covenants. The Sponsor will be required to record the Declaration and return the original to OHCS. If the Sponsor fails to properly record and return the original Declaration, OHCS may revoke the tax credits.

Issuance of the IRS Form(s) 8609

As soon as OHCS receives the recorded Declaration, the IRS Form(s) 8609 can be prepared. The Form(s) are then issued to the project owner. These forms are required for the credit to be claimed.

Compliance

All LIHTC projects are subject to compliance monitoring and reporting procedures as outlined in OHCS's Low-Income Housing Tax Credit Compliance Manual. Monitoring and reporting procedures are incorporated as part of the Qualified Allocation Plan. The monitoring procedures have been established to meet the requirements of IRC Section 42 and are subject to amendment to conform to Internal Revenue Service compliance monitoring requirements. OHCS' compliance procedures include requirements for annual reporting and certification by owners, random inspection of a reasonable number of projects each year to review project resident files, conducting random resident interviews and making physical unit inspections, and notification to the IRS in the event of any noncompliance findings.

In addition to application and reservation charges, owners are required to promptly pay specified compliance monitoring charges associated with inspecting or auditing sites, low-income certification and the supporting documentation and rent records as required. Specific compliance guidelines, monitoring and reporting requirements and charges schedules are included in the Low Income Housing Tax Credit Compliance Manual, which is available to all project owners upon request.

Calculating the Amount of Tax Credit

The maximum annual tax credits for which a project is eligible equals the project's qualified basis multiplied by the applicable tax credit percentage. **The actual tax credit OHCS awards cannot exceed the amount it determines necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the project's credit period as well as the extended use period.** This financial evaluation of the project includes, but is not limited to, establishing the net operating income, including the appropriate vacancy factor and reasonable operating reserves. Tax credits allocated to a project are available to the project's owner annually for a ten-year period.

Eligible capital costs allowed in a project's eligible basis generally include the cost of acquisition of an existing building, site surveys, engineering studies, architectural specifications, relocation expenses, certain legal and accounting services, insurance premiums, construction period interest and taxes, developer fees, general contractor fees and other construction-related costs.

In establishing a project's eligible basis, a project owner should distinguish the costs used to determine the basis of property from expenses, which are costs deducted in the year they are paid or incurred, and costs which must be amortized. Costs that must be amortized may include organizational costs expended in forming a corporation or partnership and expenditures for permanent financing, such as points charged on the permanent loan. Expenditures that do not directly relate to the construction of the project, such as syndication fees for selling an equity interest in a project and the legal and accounting expenses that relate to that syndication would not be included in a project's eligible basis. These costs would be permanently capitalized, expensed or amortized depending upon the accounting treatment. Applicants are encouraged to examine the IRS Audit Guide for more information.

Project buildings located in qualified census tracts or difficult to develop areas may be entitled to an increase in their eligible basis. Specifically, the project owner, in the case of a newly constructed building, multiplies the eligible basis by 130 percent. In the case of substantial rehabilitation of an existing building, the project owner multiplies the eligible basis of the rehabilitation expenditures by 130 percent, but not the eligible basis arising from the cost of acquiring the building.

The Sale of Tax Credits

Owners of a tax credit project may syndicate the tax credits to limited partner investors who will contribute equity for the project in return for the use of the tax credit and other tax benefits generated by the project. Usually, the project sponsor retains ownership in the project and acts as the general partner of the limited partnership.

OHCS will use: a) current market guidelines, b) previous syndication data, c) proposed syndicator data, and d) syndication or partnership agreement, if available, to estimate the proceeds anticipated from the sale of tax credits.

LIHTC Construction and Rehabilitation Standards

Section 42 (LIHTC) requires that HUD 24 CFR 5.703 be followed for all projects beginning January 1, 2001. This citation defines physical condition standards that must be met in order for a project and/or unit to be considered decent, safe, sanitary, and in good repair. These standards are summarized below. Consult 24 CFR 5.703.

The Site: Site components such as fencing, retaining walls, grounds, lighting, mailboxes/project signs, parking lots/driveways, play areas and equipment, refuse disposal, roads, storm drainage and walkways must be free of health and safety hazards and be in good repair. The site must not be subject to material adverse conditions, such as abandoned vehicles, dangerous walks or steps, poor drainage, septic tank back-ups, sewer hazards, excess accumulation of trash, vermin or rodent infestation or fire hazards.

Building Exterior: Each building on the site must be structurally sound, secure, habitable and in good repair. Each building's doors, fire escapes, foundations, lighting, roofs, walls and windows where applicable, must be free of health and safety hazards, operable and in good repair.

Building Systems: Each building's domestic water, electrical system, elevators, emergency power, fire protection, HVAC and sanitary system must be free of health and safety hazards, functionally adequate, operable, and in good repair.

Dwelling units: Each dwelling unit within a building must be structurally sound, habitable, and in good repair. All areas and aspects of the unit must be free of health and safety hazards, functionally adequate, operable and in good repair. The dwelling unit must have hot and cold running water (where applicable), including an adequate source of potable water. SRO units need not contain water facilities. If the dwelling unit contains its own sanitary facility, it must be in proper operating condition, usable in privacy, and adequate for personal hygiene and disposal of human waste. The dwelling unit must contain at least one battery-operated or hard-wired smoke detector in proper working condition on each level of the unit.

Common Areas: The common areas must be structurally sound, secure, and functionally adequate for the purposes intended. These areas should be free of health and safety hazards, operable and in good repair. In this context, common areas include, but are not limited to: basements, garages, carports, common restrooms and kitchens, closets, utility rooms, mechanical rooms, community rooms, day care areas, halls, corridors, stairs, laundry areas, offices, porches, patios and trash collection areas. These standards are particularly relevant to congregate housing, independent group homes and single room occupancy units where the individual dwelling units do not contain kitchen and/or bathroom facilities.

Health and Safety Considerations: All areas and components of the housing must be free of health and safety hazards. These areas include, but are not limited to: air quality, electrical hazards, elevators, emergency/fire exits, flammable materials, garbage and debris, handrail hazards, infestation, and lead based paint. The housing must comply with all requirements related to the evaluation and reduction of lead based paint hazards and have available proper certifications of such as per 24 CFR part 35.

RECENT TECHNICAL ASSISTANCE MEMORANDA FROM THE IRS

Periodically the Internal Revenue Service releases technical assistance memoranda and private letter rulings that impact administration of the Low Income Housing Tax Credit Program. Applicants are encouraged to consult knowledgeable sources to stay abreast of current developments that impact the LIHTC program.

Developer Fees
IRS takes the position that, to the extent that a developer's services relate either (1) to the acquisition of land or (2) to those land preparation activities which would not qualify for eligible basis, then that portion of the developer fee would not be included in eligible basis. The National Office of the IRS has not ruled on this topic.

Good Cause Eviction
The IRS ruled in Revenue Ruling 2004-82 that Low-Income Housing Tax Credit units under Section 42(h)(6)(B)(i) requires that an extended low-income housing commitment include a prohibition during the extended us period against (1) the eviction or the termination of tenancy (other than for good cause) of an existing tenant of any low-income unit (no-cause eviction protection) and (2) any increase in the gross rent with respect to the unit not otherwise permitted under §42.

Organization/Syndication Costs
If the developer is involved in finding an investor limited partner or assists in the negotiation of the partnership agreement, the portion of the developer fee associated with this activity cannot be included in eligible basis.

The IRS feels that expenses associated with

- Preparing and negotiating a partnership agreement and
- Preparing cash flow and tax projections to be used by the general partner and the investor limited partners are not part of eligible basis.

Nixon Peabody has proposed as a solution that the developer not perform any of these activities but rather establishes a separate entity to do this. Again, you may want to consult your legal counsel to discuss this.

Land Preparation Costs

- Land preparation costs, inextricably associated with the land, are added to the cost of the land and in general may not be included in eligible basis.
- Costs associated with land preparation that are inextricably linked to the building are added to the cost of building construction and may be included in eligible basis. These costs include, but are not limited to, digging spaces and trenches for a building foundation and utilities.
- Project owners should seek professional advice when determining which costs may be included in eligible basis.

LIHTC DEFINITIONS

Annual Tax Credit: The amount of credit allocated to a project. The credit is available annually to the sponsor for a period of ten years. The amount of credit cannot exceed what the Department deems necessary for the project's financial feasibility, or the amount the project is eligible to receive.

Applicable Fraction: Equals the lesser of the "unit fraction" or the "floor space fraction." The "unit fraction" is calculated by dividing the number of low-income units in a building by the total units in the building, and the "floor space fraction" is calculated by dividing the total floor space of the low-income units in a building by the total floor space of the residential units in the building.

Applicable Tax Credit Percentage: The percentage used in the calculation of the amount of tax credit available to a project, depending upon its development and financing characteristics. A qualified low-income housing project may be eligible for one or both of two types of credit. A 30 percent net present value (NPV) tax credit applies to new construction and substantial rehabilitation that receive federally subsidized financing as well as to the acquisition of eligible existing buildings, regardless of the financing source. A 70 percent NPV applies to new construction and substantial rehabilitation that do not receive federally subsidized financing. Consequently, a single project may receive two rates of tax credit.

Compliance Period: The period of 15 taxable years beginning with the first year of a building's ten-year "credit period." In addition, each building must have an extended low-income housing commitment which requires, at a minimum, a 15-year extended use period that begins on the first day of the compliance period and ends 15 years after the close of the compliance period.

Credit Period: The period of ten taxable years beginning with the taxable year in which the building is placed-in-service or, at the election of the sponsor, the succeeding taxable year, but only if the building is a qualified low-income building at the close of the first year of the period. The credit period for the acquisition of an existing building may not begin until the first year of the credit period for the rehabilitation expenditures for that building.

Deferred Developer Fee: The portion of the developer fee taken over a 10 to 15 year period of time. The deferred fee must be able to be repaid within the specified timeline, and is considered a secondary debt.

Depreciable Costs: The development costs incurred in connection with a capital asset that is subject to a loss of value brought about by age, physical deterioration, or functional or economic obsolescence.

Eligible Basis: Consists of the eligible expenditures, new construction, rehabilitation and acquisition, incurred up to the close of the first taxable year of a project's "credit period." Eligible basis includes: the adjusted basis of depreciable property (without regard to depreciation); certain deductions from these costs must be made, including but not limited to: (1) the cost or value of the land underlying the project; (2) the value of federal grants used to finance the project; (3) tax credits received under certain provisions of state and federal tax law; and (4) the amount of "nonqualified non-recourse financing" used in the project.

Eligible basis also includes the cost of personal property for use by the residents, such as major appliances. A project owner may also include the cost of facilities and extra amenities such as common areas, parking facilities and recreation equipment in the project's eligible basis if there is no separate fee for the use of the facilities and they are available to all residents on a comparable basis. Costs of the residential units in a building which are not low-income units may be included, but only if such units are not above the average quality standard of the low-income units, or if such excess costs are deducted from the eligible basis. Project buildings located in "qualified census tracts or difficult to develop areas" are entitled to an increase in their eligible basis.

Eligible Existing Building: A taxpayer may normally receive a 30 percent NPV credit for the acquisition of an existing building if (1) it was purchased from an unrelated entity that owned it for at least ten years and kept it in active use; (2) for the ten-year period preceding the purchase it did not undergo any rehabilitation in excess of 25 percent of its basis; and (3) no 15-year compliance period is in effect for any previously received low-income housing tax credits.

Federally Subsidized Building: A building is deemed to be federally subsidized if it is financed by federal tax-exempt bonds, federal grants, or below market federal loans.

Gross Rent: An amount that does not exceed 30 percent of the applicable income limitation. Gross rent includes an utility allowance determined by the Secretary of the U.S. Department of Treasury; but does not include any payment under Section 8 or any comparable rental assistance program; and does not include fees for supportive services paid by governmental or nonprofit organizations if such programs include rental assistance and rent is not separable from the amount of assistance provided for supportive services; and does not include any rental payments to the owner of the unit to the extent such owner pays an equivalent amount to the Farmers Home Administration under Section 515 of the Housing Act of 1949.

Supportive services, as used in the paragraph above, means any service provided under a planned program of services designed to enable residents of a residential rental property to remain independent and avoid placement in hospitals, nursing homes or intermediate care facilities for the mentally or physically handicapped. In the case of a single-room occupancy unit or a building providing transitional housing to the homeless, this term includes any service provided to assist residents in locating and retaining permanent housing.

Nonqualified Non-recourse Financing: General. Nonqualified non-recourse financing means any non-recourse financing which is not "qualified commercial financing." Financing is non-recourse if the borrower is not personally at risk to repay the loan or if the lender has an interest in the financed project (other than as a creditor). The borrower may be protected against loss on a loan through guarantees, stop-loss agreements or other similar arrangements.

Placed-In-Service: The Placed-In-Service date for a new or existing building is the date on which the building is ready and available for its specifically-assigned function. This is usually the date the first unit in the building is certified as being suitable for occupancy under state or local law. Substantial rehabilitation expenditures are treated as Placed-In-Service at the close of any 24-month period over which the expenditures are aggregated.

Qualified Allocation Plan: The plan, signed by the Governor, establishes the process by which the Department will allocate Tax Credit to qualified projects. This is available upon request from the Department, or can be downloaded from the OHCS web page http://www.ohcs.oregon.gov/OHCS/HRS_LIHTC_Program.shtml.

Qualified Basis: The portion or percentage of the eligible basis that qualified for the tax credit becomes the qualified basis. The "eligible basis" is multiplied by the "applicable fraction" to obtain the amount of "qualified basis" attributable to the housing project.

Qualified Census Tract or Difficult Development Area: Projects located in difficult to develop areas and qualified census tracts are eligible for additional credit. The maximum credit to such projects is calculated by increasing the eligible basis by 130 percent. To determine if the project is located in a qualified census tract, contact Portland State University Center for Population Research and Census at1-503-725-3922, the local city hall or look for this data in the Qualified Census Tracts or Difficult to Develop Areas section.

<u>Qualified Commercial Financing:</u> Financing generally constitutes qualified commercial financing when (1) seller of the financed property is not a "related person" to the borrower; (2) amount of the non-recourse financing does not exceed 80 percent of the property's credit base; and (3) financing is borrowed from a "qualified person" party or is borrowed or guaranteed by a governmental entity. A "qualified person" is a party actively and regularly engaged in the business of lending money that is not (1) a "related person" to the borrower; (2) the seller of the financed property or a "related person" to the seller; or (3) a party receiving a fee from the borrower's investment in the property or a "related person" to such a party. Certain "qualified commercial financing" and "qualified person" requirements do not apply when the borrower is a qualified nonprofit organization.

<u>Qualified Low-Income Housing Project</u>: Any project for residential rental property that meets the "20-50 Test" or the "40-60 Test," as elected by the taxpayer. This election, once made, is irrevocable.

- The <u>20-50 Test.</u> This test is satisfied if at least 20 percent of the residential units in a project are both rent-restricted and occupied by individuals whose household income is no more than 50 percent of the area median gross income.

- The <u>40-60 Test.</u> This test is satisfied if at least 40 percent of the residential units in a project are both rent-restricted and occupied by individuals whose household income is no more than 60 percent of the area median gross income.

<u>Qualified Nonprofit Organization</u>: An organization described in IRC Section 501(c)(3) or 501(c)(4) that is exempt from federal income tax under IRC Section 501(a) if the Department determines the organization is not affiliated with or controlled by a for profit organization and an exempt purpose of such organization includes fostering low-income housing.

<u>Related Entity/Person</u>: Related persons include, but are not limited to (1) members of a family; (2) a fiduciary and either a grantor or a beneficiary of a trust; (3) a party and a federally tax-exempt organization that the party, or members of the party's family, controls; (4) a party and either a corporation or a partnership in which the party has more than a 50 percent interest; (5) two business entities, either corporations or partnerships, where a party has more than a 50 percent interest in each; (6) two corporations that are members of the same controlled group; and (7) two parties engaged in trades or businesses under common control.

<u>Substantial Rehabilitation</u>: Rehabilitation projects qualify for the 70 percent present value credit if they have not received any federal financing subsidies and have total rehabilitation and related expenditures attributable to or benefiting one or more units (incurred over a 24-month period ending when the buildings are placed-in-service) in an amount equal to the greater of: not less than ten percent of the adjusted basis of the building; or $3,000 or more per low-income unit.

<u>Tax Credit</u>: Under the federal income tax code, a tax credit is a dollar-for-dollar reduction in the tax liability. A tax credit is subtracted <u>after</u> the amount of taxes is calculated. The use of tax credits can be limited by the application of the passive loss provisions, the alternative minimum tax and limits on the use of general business credits.

<u>Tax Credit Syndication</u>: Owners of an LIHTC project may sell (syndicate) the tax credits to limited partner investors who contribute equity for the project in return for the use of the tax credit and other tax benefits generated by the project. The project developer usually retains ownership in the project and acts as the general partner. The limited partner investors are usually not involved in the management of the project, but have concerns that the project be maintained in compliance with tax credit regulations. If not, they may be subject to tax credit recapture and penalties.

Transitional Housing for Homeless: A housing unit does not qualify for the LIHTC program as a low-income unit if it used on a transient basis. Transitional housing for the homeless is not considered to be used on a transient basis if the units contain sleeping accommodations, bathroom and kitchen facilities and are located in a building in which a governmental entity or qualified nonprofit organization provides residents with temporary housing and supportive services designed to assist them in locating and retaining permanent housing and is used exclusively to facilitate the transition of homeless individuals (as the term is used in Section 103 of the Steward B. McKinney Homeless Assistance Act) to independent living within 24 months. The qualified basis of a building that provides transitional housing for the homeless may be increased by the amount of the eligible basis of the building that is used throughout the year to provide supportive services designed to assist residents in locating and retaining permanent housing to the extent this amount does not exceed 20 percent of the building's other qualified basis.

LIHTC Market Analysis Requirement: This information has been moved to the Market and Need Assessment section of the Application Instructions.

LIHTC Program Rents and Incomes

LIHTC Program Rents and Incomes can be downloaded from the web at:
www.oregon.gov/OHCS/HRS_CFCApp.shtml