

OREGON STATE HOUSING COUNCIL
PUBLIC MEETING NOTICE



*Cherry Creek Apartments
Medford, Oregon*

Date:
May 2, 2014

Time:
9:00 A.M.

Location: PHONE CONFERENCE
Call in Number: 1-877-273-4202
Conference Call Room Number: 4978330

TABLE OF CONTENTS

i.	May 2, 2014 Meeting Agenda	1
ii.	Draft, April 4, 2014 Meeting Minutes	2-7
iii.	Single Family Residential Loan Program- Consent Calendar	8
iv.	Proposed 2014 Qualified Allocation Plan Presentation Materials	
	-Requested Housing Council Action	9
	-Proposed Change to Existing 2013 QAP	10
	-Public Comment Received	11-13
	-Department Response to Public Comment	14
	-Full Proposed 2014 Qualified Allocation Plan	15-27

Oregon State Housing Council

725 Summer St NE, Suite B

Salem, OR 97301-1266

Phone: 503.986.2000

Fax: 503.986.2132

TTY: 503.986.2100

www.ohcs.oregon.gov/OHCS/OSHC



Council Members:
Jeana Woolley, Chair
Mayra Arreola
Tammy Baney
Aubre L. Dickson
Michael C. Fieldman
Zee D. Koza
Adolph "Val" Valfre, Jr.

OREGON STATE HOUSING COUNCIL MEETING AGENDA

Friday, May 2, 2014

9:00 a.m.

PHONE CONFERENCE MEETING

Call in Number: 1-877-273-4202; Room Number: 4978330

- | | | |
|----|--|--------------------------------------|
| 1. | Call to Order and Roll Call | Jeana Woolley, Chair |
| 2. | Approval of Meeting Minutes | Jeana Woolley, Chair |
| | a. April 4, 2014 | |
| 3. | Public Comment | Jeana Woolley, Chair |
| 4. | Residential Loan Program – Consent Calendar Approval | Kim Freeman, OHCS |
| | a. 8500 Block McLaughlin Ln Klamath Falls, OR 97601 | |
| 5. | 2014 QAP | |
| | a. Presentation and Staff Recommendations | Julie Cody, OHCS |
| | b. Public Comment | |
| | c. Discussion and Council Vote | Jeana Woolley, Chair |
| 6. | NOFA Status Update | Julie Cody, OHCS |
| 7. | Report of the Director | Margaret Van Vliet,
OHCS Director |
| 8. | Report of the Chair | Jeana Woolley, Chair |
| 9. | Adjourn State Housing Council Meeting | Jeana Woolley, Chair |

Oregon State Housing Council

725 Summer St NE, Suite B

Salem, OR 97301-1266

Phone: 503.986.2000

Fax: 503.986.2132

TTY: 503 986 2100

www.ohcs.oregon.gov/OHCS/OSHC



Council Members:
Jeana Woolley, Chair
Mayra Arreola
Tammy Baney
Aubre L. Dickson
Michael C. Fieldman
Zee D. Koza
Adolph "Val" Valfre, Jr.

OREGON STATE HOUSING COUNCIL MEETING

April 4, 2014 Meeting Minutes

Meeting Time: 9:00AM

Meeting Location:

1st Floor Boardroom of United Way,

619 SW 11th, Portland, OR 97205

Call in Number: 1-877-273-4202; Room Number: 4978330

Housing Council Members Present:

Jenna Woolley, Chair

Mayra Arreola

Tammy Baney

Mike Fieldman

Zee Koza

Val Valfre

Housing Council Members Not Present:

Aubre Dickson

OHCS Staff Present:

Margaret Van Vliet, Director Oregon Housing and Community Services

Julie Cody, Program Delivery Division Administrator

Diana Koppes, Business Operations Division Administrator

Kim Travis, Community Engagement Manager

Mike Boyer, Legislative and Communications Coordinator

Guests Present:

Dani Ledezma, Governor's Office

Ryan Fisher, NW Public Affairs

1. Call to Order

Chair Woolley calls the April 4th, 2014 meeting to order at 9:06 a.m.

2. Approval of Housing Council Meeting Minutes – February 14th, 2014 and March 7th, 2014

Chair Woolley asks Council members for any comments, additions or corrections to the revised draft February 14th, 2014 or the draft March 7th, 2014 meeting minutes. There being none; the motion was read:

Motion: Tammy Baney moves that the Housing Council approve the February 14th, 2014 and March 7th, 2014 meeting minutes.

Council members agree and meeting minutes are approved. Motion passes without dissent.

3. Facilitated Discussion: Redesigning Policy and Governance for OHCS in the Future

Director Van Vliet revisited one of the major recommendations she made to the Legislature in February 2014, the redesign of the Department's governance structure to move away from the system where we have ten statutorily named advisory bodies in favor of one, over-arching policy body. Van Vliet asked that Council members use this facilitated discussion and work session to begin the conversation and brainstorming around what that redesigned structure would look like for the Department. Director Van Vliet posed specific questions for Council member consideration and feedback:

- o How do we establish a new policy body that would oversee the various programs while helping to integrate them?; and
- o What does this high-level functioning body look like?

Director Van Vliet introduced Dani Ledezma, Education Policy Advisor to the Governor, to help facilitate the discussion.

Dani Ledezma asked Council members to break into groups of two to discuss the questions posed by Director Van Vliet, specifically focusing on what should look different, how success would be determined/measured and what could be improved by establishing a highly functioning housing policy commission as opposed to the current structure. In five years what does housing policy in Oregon look like as a result of these improvements?

Chair Woolley asked if the focus should be on how policy is set or how it is implemented.

Dan Ledezma responded that the focus should be on what could be different as a result of good implementation. If housing in Oregon were high-functioning, what would that look like?

Council members paired up with staff to discuss what could be different or improved as a result of establishing one policy body. What does success look like?

Listed below are some of the results from the small group discussions:

- o Strategic integration of resources
- o Holistic strategy that leads to integration
- o Identification and agreement of priorities
- o Agreement on prosperity indicators
- o Amalgamation of different stakeholders into one diverse representation
- o Stakeholders would bring individual resources
- o Congruence with the governor's benchmarks
- o Increased influence and ability to shape agency as a whole rather than advisory
- o Clear set of tasks and direction
- o Evaluation of decisions
- o Increased representation of communities of color (urban/rural)
- o Investments aligned
- o Improved outcomes (housing in services of Oregonians)

- o Better integration between housing and poverty issues
- o Alignment of priorities in prosperity cabinet
- o Policy goes beyond housing but more strategic than just a laundry list of services
- o Broad perspective
- o Increased resources and more leverage
- o Shared outcomes and shared accountability

Chair Woolley added that the new policy body cannot become simply a group of bureaucrats. Housing is the anchor that allows all the other services to be provided. Outside perspective and integration of various agency-heads to align priorities is crucial to setting broad policy. Careful consideration of who sits on the commission is extremely important.

Mike Fieldman raised two questions for future consideration 1) how will the commission provide focus on housing in advisory role across state agencies?; and 2) how will we provide advisory roles to OHCS on alignment of priorities statewide?

Val Valfre commented that there needs to be incentive from the Governor's office for groups to work together in aligning statewide priorities, in addition to recognition from leadership that we are aligned with statewide priorities.

Director Van Vliet added that social and geographic equity should also be among the considerations.

Five common indicators of success and improvement emerged, amongst the results reported out by the small groups:

- o Integration
- o Accountability for shared outcomes
- o Data driven
- o Influence and inclusivity
- o Social and geographic equity

Ledezma divided everyone into three teams to discuss the ideal policy body or commission. Each team was asked to consider and come up with 2-3 answers for each of the following questions:

- o What are the desired characteristics of commissioners
- o What are its ideal functions; and
- o What are the primary areas of focus for the commission

Each team selected and reported out 2 or 3 ideas from each of the categories.:

Characteristics of Commissioners

- o Lead researcher with skill set represented
- o Non-profit experience
- o Equity background
- o Broad housing and community services experience

- Collaborator
- Money and finance expertise
- Real estate market experience
- Communities of color representation
- 11-15 members
- 7-9 members
- Diversity of talent and interests
- Balanced geographic perspective and highly respected
- Local policy experience
- Finance experience
- Community development experience

Ideal Functions – Advisory, Rule-making, Oversight

- Oversight of OHCS budget and investments
 - Establish priorities for investments
 - Informed by data
- Advocacy
- Housing issues across state agencies
- Aligns
- Establish policy utilizing data
- Review outcomes with oversight
- Set strategy and priorities
- Input on budget and resources allocation
- Provide regional outlook
- Alignment and integration
- Annual report out to Governor and Legislature
- Approve transactions and contracts
- Prosperity → larger group statewide integration
 - Housing policy board → larger group statewide integration
 - Regional group collaborative and priority setting → Housing policy board
 - Options: NOFA like, Five region approach, RST, CCO, Early learning centers and prosperity representatives
- Commissioners

Primary Areas of Focus

- Sub-committees with other state agencies
- Committees and staff to align and bring focus to “home” agency
- One body versus ten
- Link to Governor’s office

- Understand linkages between housing and health, education, veterans, workforce, social services, community development and corrections
- Deep understanding of the work of the Agency and being able to educate the masses
- Fully integrated policy discussion about housing and community services

Diana Koppes, OHCS Assistant Director of Operations, highlighted that regional teams could fit into the integration, reporting up to larger policy-making groups. It seems as though the systems isn't constructed in a way that allows for integration at a high level.

Tammy Baney responded by saying integration at a high level can happen between agencies through guidance and leadership from the Governor's office.

Chair Woolley asked if common themes are necessary for agencies to align on common goals. There will need to be a very specific recommendation about how agencies will come together and agencies will need to be held accountable.

Mayra Arreola pointed out that the word influence as an indicator of success or improvement, if used in the wrong context, could be perceived as a barrier for people wishing to participate on the policy advisory body.

Chair Woolley stated that diversity of talents and interests is a broader way to encompass the desired attributes of policy advisory body members.

Director Van Vliet thanked everyone for their participation in the robust conversation and advised Council members that between now and the end of the year OHCS will work with the Governor's office to develop our legislative concepts for consideration during the 2015 Legislative Session. Director Van Vliet informed the Council of her plans to meet with each of the current advisory bodies to discuss the future.

4. 2014 Meeting Schedule

Director Van Vliet asked Council member if they want to continue having meetings on the calendar moving forward.

Chair Woolley responded with her preference to keep regular meetings on the calendar, cancelling meetings on a case-by-case basis.

Val Valfre agreed with Chair Woolley, noting the importance of Council members remaining engaged during this time of transition.

Zee Koza echoed that sentiment reaffirming the Council's commitment to the process.

Val Valfre asked if there was anything else OHCS is working on that Director Van Vliet would like share with the Council.

Director Van Vliet answered that the Department is currently exploring the possibility of applying for a H.U.D. Section 811grant in conjunction with Oregon Health Authority (OHA) and Department of Human Services (DHS) to house special needs populations. Van Vliet also noted that the NOFA is continuing to move forward with refinements to the scoring criteria. Staff is putting together the actual applications now and thinking about who should serve on the selection committee.

Tammy Baney asked if there has been any additional feedback from partners.

Director Van Vliet responded that after the last technical advisory we invited written comment but did not receive any.

Julie Cody mentioned costs for affordable housing is going up due to the change in the market.

Chair Woolley asked what is happening with the cost containment.

Director Van Vliet answered that nothing is happening, yet.

Val Valfre asked about the status of the recruitment for the Assistant Director of Community Services position.

Director Van Vliet said the position has been posted and will close later this month. Director Van Vliet also mentioned that the Department is developing a strategic plan to operationalize and implement various program element changes and aspects the recommendations she made to the Legislature.

Chair Woolley asked if there was any additional business or comment from Council members, there being none, she thanked everyone for their participation and **the meeting was adjourned at 11:45 a.m.**

Jeana Woolley, Chair DATE
Oregon State Housing Council

Margaret S. Van Vliet, Director DATE
Oregon Housing and Community Services



Oregon

John A. Kitzhaber, MD, Governor

Date: 4/24/2014

To: State Housing Council

From: Kimberley Freeman, Manager
Homeownership Section

Re: Residential Loan Program - purchase of loans equal to or greater than 75% of the local area Acquisition Cost Limit, or \$190,000, whichever is greater.

Background: State statutes require the State Housing Council to establish a single family loan threshold for loans to be reviewed and approved prior to purchase. The current threshold for single family loans includes all loans equal to or greater than 75% of the applicable area program purchase price limit, or \$190,000, whichever is greater.

Considerations: Staff has reviewed all of the following loan files and concluded that the borrowers and properties meet all relevant program guidelines for the Residential Loan Program. All required documents have been properly executed, received, and the loans have been approved for purchase. In addition to being approved by staff, the loan files have been underwritten by the applicable lenders and are insured by either FHA (FB), Rural Development (RG), or Uninsured (U) with a loan-to-value of 80% or less.

Loan Specifics: 1. This home is located in a targeted area in Klamath County.
2..The appraisal provided excellent comparable properties to the subject property

1	<u>Borrower</u>		<u>Lender</u>	SOUTH PACIFIC FINANCIAL	
	<u>Co-Borrower</u>				
			<u>Purchase Price</u>	\$ 283,500	<u>Note Amount</u> \$ 226,800
			<u>Cost Limit</u>	\$ 301,929	<u>Principal Balance</u> \$ 226,800
<u>Property Address</u>	8500 BLOCK MCGLAUGHLIN LN		<u>Appr. Value</u>	\$ 283,500	
	KLAMATH FALLS	OR 97601	<u>Year Built</u>	1979	
			<u>Living Area (Sq. Ft.)</u>	2,009	<u>Loan-to-Value</u> 80%
			<u>Lot Size (Sq. Ft.)</u>	90,604	<u>Insurance Type</u> U
<u>Hshld. Income</u>	\$ 66,840		<u>Cost per Sq. Ft.</u>	\$ 141.11	<u>Rate</u> 3.375%
<u>Income Limit</u>	\$ 75,720				
<u>% of Income Limit</u>	88.27%				
<u>Prior Ownership Yes (Y) or No (N)</u>	Y		<u>New (N) or Existing (E)</u>	E	
			<u>Construction Style</u>	One Story	

Recommended Motion: That the Oregon State Housing Council approve the Consent Calendar.

Memorandum

To: Housing Council
From: Carol S. Kowash, Tax Credit Programs Manager

Housing Council Meeting of: May 9, 2014

- Requested Action:**
- 1) Approve modifications to the threshold requirements in the Qualified Allocation Plan for the 2014 Notice Of Funding Availability (NOFA).
 - 2) Address comment received regarding Qualified Allocation Plan during 30-Day Comment Period.

Voting to Approve: _____
Voting to Decline: _____
Absent/Abstain: _____

Jeana Wooley, Housing Council Chair

Date

RECOMMENDATION/MOTION: Move the Housing Council approve changes to the 2014 Low Income Housing Tax Credit Qualified Allocation Plan as presented. Further, recommend Governor accept changes and execute QAP as presented.

Listed below are the changes to the 2014 Low Income Housing Tax Credit Qualified Allocation Plan (QAP) proposed. The comment period on changes to the QAP resulted in one comment and related response to be reviewed by Housing Council. A copy of the comment and response is attached here.

The required public hearing was completed on March 18, 2014 at 1 pm in Room 124b at the office of Oregon Housing and Community Services. There were no attendees at this meeting.

Changes made directly reflect changes to the threshold requirements in the Notice of Funding Availability (NOFA) for 2014. All of the removed thresholds will now be scored items in the Application review instead.

The changes below reflect the entirety of the modifications made to this Qualified Allocation Plan.

EXHIBIT C – 2014 QUALIFIED ALLOCATION PLAN POLICY CHANGES

Policy Changes for the 2014 Qualified Allocation Plan (QAP)

Existing Language / Added Language / ~~Removed Language~~

III. PROJECT SELECTION PREFERENCES AND CRITERIA

D. DEPARTMENT PREFERENCES, SELECTION CRITERIA, AND SET-ASIDES - Page 4:

Applications for competitive tax credit allocations are evaluated in the context of the given application and the financial feasibility or capability of the applicant to fulfill or perform each selection criteria activity. Applications may be screened for timeliness, completeness, accuracy and satisfaction of applicable minimum standards, if any. ~~Certain threshold requirements must be met for all projects, unless otherwise stated in any Addenda. Proposals not meeting threshold requirements will not be processed further. Threshold requirements include: Asset Management Compliance Review; Program Compliance Review; Resident Services Description Review; Readiness to Proceed; Financial Feasibility; Development Team Capacity; and Ownership Integrity.~~



March 25, 2014

Bob Gillespie
Housing Division
Oregon Housing and Community Services
725 Summer Street, NE, Suite B
Salem OR, 97309-1266

Re: Oregon's Draft 2014 Qualified Allocation Plan

Dear Mr. Gillespie:

The National Housing Trust is a national nonprofit organization formed to preserve and revitalize affordable homes to better the quality of life for the families and elderly who live there. Saving affordable housing is the essential first step in addressing our nation's housing dilemma. Preservation is integral to building and maintaining sustainable, economically vibrant and healthy communities. The National Housing Trust engages in housing preservation through real estate development, lending and public policy. Over the past decade, NHT and our affiliate, NHT-Enterprise Preservation Corporation, have preserved more than 25,000 affordable apartments in all types of communities, leveraging more than \$1 billion in financing.

We appreciate the opportunity to comment on Oregon's draft 2014 Qualified Allocation Plan.

In summary, we urge OHCS to:

- *Maintain the 25% set-aside for proposals involving the preservation and rehabilitation of existing multifamily rental housing in the final 2014 QAP.*
- *Continue including green building practices, healthy building materials and energy efficient design features in Oregon's tax credit program.*
- *Maintain incentives for building sustainable communities.*

National Preservation Initiative

1101 30th Street, N.W., Suite 400 ■ Washington, D.C. 20007 ■ 202-333-8931 ■ FAX: 202-833-1031

Low Income Housing Tax Credits and Preservation in Oregon

Our nation faces a serious shortage of housing for low- and moderate-income families. Over the last decade, more than 15% of our affordable housing nationwide has been lost to market-rate conversion, deterioration, and demolition. **Critical affordable housing units are at risk in Oregon** (see table). These affordable apartments currently provide homes for some of Oregon's lowest-income families and elderly citizens..

At-risk properties in Oregon

Project-based Section 8 properties with contracts expiring by 2018:

- 7,059 assisted units in 192 properties
- 51% of which are owned by for-profit owners

Additionally, preserving and rehabilitating existing housing has proven to be a cost-effective method to provide rental housing to low-income families and seniors. In 2011, rehabilitation projects in Oregon required 35% less tax credit equity per unit than new construction developments. In addition, preservation prolongs federal investment in affordable housing properties.

We strongly support OHCS' efforts to encourage preservation by adding a 35% set-aside for preservation proposals in the 2014 QAP. Oregon's past preservation efforts have been highly successful. **From 2003 - 2011, at least 93 properties with 5,308 apartments were preserved in Oregon with 9% and 4% Low Income Housing Tax Credits.** By prioritizing preservation, Oregon's Qualified Allocation Plan can provide the incentives necessary to prevent the loss of this indispensable affordable housing.

Preservation is Environmentally Friendly

State and local agencies are increasingly encouraging, and in some cases requiring, affordable housing developers to adopt green building practices. Using green building strategies, preservation projects can deliver significant health, environmental, and financial benefits to lower-income families and communities. Green technologies promote energy and water conservation and provide long-term savings through reduced utility and maintenance costs, all while providing residents with a healthier living environment and reducing carbon emissions.

We enthusiastically support the green building practices, healthy building materials and energy efficient design features included in OHCS' tax credit program.

Affordable Housing Helps Build Sustainable Communities

The continuing loss of affordable apartments is being made even worse by the current foreclosure crisis. The result affects more than just the families residing in at-risk properties or those being foreclosed upon; it destabilizes entire neighborhoods and threatens the sustainability of communities in Oregon and across the country. **The renovation of existing affordable housing and the commitment to its long-term affordability not only helps maintain sustainable communities in strong markets, it can also catalyze investment and development in struggling neighborhoods or those neighborhoods most affected by foreclosure.** Preserving existing affordable housing provides an opportunity to reinvest in and

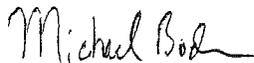
improve our communities while protecting historic investments made by federal and state governments.

The National Housing Trust supports the state established scoring criteria in OHCS's draft QAP that emphasizes projects that provide an overall benefit to the community. By including these points, OHCS acknowledges that affordable housing is part of well-functioning, sustainable communities. The presence of diverse housing options across the income spectrum near transit links, neighborhood amenities, and economic opportunities is a hallmark of vibrant, sustainable communities. We commend Oregon Housing and Community Services for including these kinds of incentives in your draft QAP.

Conclusion

It is fiscally prudent for states to balance tax credit allocations between new construction and preservation/rehabilitation. In addition to helping to build sustainable communities, preservation is significantly more cost-efficient and environmentally friendly than new construction. The National Housing Trust urges the Oregon Community to continue its support for sustainable communities and the preservation of Oregon's existing affordable housing by maintaining Oregon's tax credit preservation set-aside in the final QAP. Thank you for the opportunity to comment on this important issue in the State of Oregon.

Sincerely,



Michael Bodaken,
President



Oregon

John A. Kitzhaber, MD, Governor

Housing and Community Services

North Mall Office Building
725 Summer St NE, Suite B
Salem, OR 97301-1266
PHONE: (503) 986-2000
FAX: (503) 986-2020
TTY: (503) 986-2100
www.ohcs.oregon.gov

April 24, 2014

Michael Bodaken
National Housing Trust
1100 30th street NW Suite 400
Washington, DC 20007

Re: 2014 Amended Low Income Housing Tax Credit Qualified Allocation Plan.

Dear Mr. Bodaken,

Thanks so much for taking time to comment on the 2014 Amended Low Income Housing Tax Credit (LIHTC) Qualified Allocation Plan (QAP). The support of the Department effort to preserve and improve affordable rental housing in Oregon is appreciated. Your recommendations have been considered and while not intrinsically spelled out in detail in the QAP are in fact parts or particulars within the ranking/scoring methodology for reviewing applications.

There will be a soft set aside of 35 % of LIHTC funding targeted to Preservation projects where 25 % or more have Federal Project Based rental subsidy. The scoring methodology will include a preference for projects with more affordable units of lowest Area Median Income levels above projects with less affordable units or those serving tenants at higher income levels. This set aside will be entirely used unless there are not an adequate number of applications to utilize the funds in each region of the state.

Green building measures will continue to be included in the Notice Of Funding Availability (NOFA). It is required to be included in the architectural design of any construction project funded by the NOFA round. This includes any that are funded particularly with the LIHTC.

Oregon Housing continues to support and desires to expand options that will provide Oregonians with more sustainable communities. The Department fully supports the renovation and long term affordability of its' properties. There is currently a 60-year term of affordability on projects that are funded in the NOFA. Access to local services and businesses is encouraged as are solutions that provide innovative partnerships of local providers and state agencies working in concerted effort to provide practical efficient results oriented housing. The commitment to properties in distressed areas of the state will provide needed economic growth through investment and revitalized neighborhoods. The ranking and points given to community need and underserved targets areas are examples of steps taken to meet this goal.

Preservation and sustainable vibrant communities with affordable rental housing continues to be the focus of efforts in Oregon. The Department will work in conjunction with the National Housing Trust to protect the current and past contributions to affordable housing in this state.

Sincerely,

Carol S. Kowash

Tax Credits Program Manager
Housing Finance and Resources Section

c: QAP



Oregon Housing and Community Services

2014 Qualified Allocation Plan

LOW INCOME HOUSING TAX CREDIT PROGRAM

Deleted: 2013

Effective as of May 1, 2014

Deleted: May 23, 2013

Deleted: ¶



725 Summer St NE Suite B, Salem, OR 97301-1266
(503) 986-2000 FAX (503) 986-2002 TTY (503) 986-2100
www.oregon.gov/OHCS



TABLE OF CONTENTS

- I. INTRODUCTION**
- II. COMPETITIVE AND NON-COMPETITIVE TAX CREDITS**
 - A. Competitive Housing Tax Credits
 - B. Non-Competitive Housing Tax Credits
- III. PROJECT SELECTION PREFERENCES AND CRITERIA**
 - A. Qualifying Buildings
 - B. IRC Section 42 Statutory Preferences, Selection Criteria, and Set-Asides
 - C. Code Requirements
 - D. Oregon Department Preferences, Selection Criteria, Set-Asides
 - E. Project Feasibility and Viability
- IV. PROJECT MONITORING PROCEDURES AND NOTIFICATIONS**
 - A. Overview
 - B. Compliance Monitoring Process
 - C. Compliance Status Tracking
 - D. Ownership, Management Plans, and Qualifications
 - E. Annual Owner Certification Reporting and Monitoring
 - F. Inspections
 - G. Liability
 - H. Correction of Non-Compliance Conditions
 - I. Non-Compliance Requiring Additional Departmental Staff Time
 - J. Acquisition/Rehabilitation Tenant Certification Policy
 - K. Federal Fair Housing Act
 - L. Housing and Economic Recovery Act of 2008 Data Collection
 - M. Recordkeeping and Record Retention
- V. ADDITIONAL CONSIDERATIONS**
 - A. Reservation of Rights
 - B. Fees and Charges
 - C. Public Comment Requirements for the QAP and Amendments
 - D. Correspondence and Submittals
 - E. Effective Date

I. INTRODUCTION

The Tax Reform Act of 1986 created the Low Income Housing Tax Credit (LIHTC), under Section 42 of the Internal Revenue Code (Code or IRC), to assist the development of low-income rental housing by providing qualified Owners with income tax credit to reduce their federal tax obligations.

The LIHTC program is jointly administered by the United States Treasury Department Internal Revenue Service (IRS) and authorized state tax credit allocation agencies. Under Executive Order EO-87-06, the Governor of Oregon designated Oregon Housing and Community Services (Department) as the administrator of the LIHTC program. The Department is authorized to allocate tax credits for residential buildings located in the state of Oregon. The Department administers the LIHTC program in accordance with Oregon Administrative Rule (OAR) Chapter 813, Division 90. For more information on the LIHTC program policies, refer to the LIHTC Program Manual.

This Qualified Allocation Plan (QAP or Plan) is intended to comply with the requirements of Section 42(m)(1)(B) of the Code, which requires that a Qualified Allocation Plan set forth (i) the selection criteria to be used to determine the Department's housing priorities, (ii) the preferences of the Department in allocating credit dollar amounts among selected projects, and (iii) the procedures that the Department will follow in monitoring for noncompliance and notifying the IRS of such noncompliance and in monitoring for noncompliance with habitability standards through regular site visits.

II. COMPETITIVE AND NON-COMPETITIVE TAX CREDITS

A. COMPETITIVE HOUSING TAX CREDITS

The allocation of the state of Oregon's per capita credit authority, returned credits, and the State's portion of the National Pool credits is done on a competitive basis, based upon project rankings determined during an application process established by the Department. All LIHTC allocations, including any increase in the allocation of a project's per capita credits, will be governed by this QAP.

1. **9 percent Tax Credits:** Nine percent competitive tax credits receive approximately 70 percent of the qualified basis for new construction or rehabilitation of qualified low-income buildings.
2. **4 percent Tax Credits:** Four percent competitive tax credits receive approximately 30 percent of the qualified basis of acquired buildings that are rehabilitated, and are commonly used for federally funded developments such as United States Department of Agriculture Rural Development (RD) Section 515 program and United States Department of Housing and Urban Development (HUD) 811 and 202 program projects.

B. NON-COMPETITIVE HOUSING TAX CREDITS

The state of Oregon is also provided with access to tax credits associated with Oregon's Private Activity Bond Authority. These tax credits are only available to projects that are financed using tax-exempt bond proceeds. The non-competitive credits *are not* subject to the preferences or selection criteria outlined in the QAP, but must meet standards of financial feasibility and viability and project monitoring procedures, in addition to program specific

requirements established by the Department. For more information, refer to the State of Oregon LIHTC Program Manual.

1. **4 percent Non-competitive Tax Credits:** Four percent non-competitive tax credits receive approximately 30 percent of the qualified basis of newly constructed or acquired and rehabilitated buildings financed in conjunction with tax-exempt bond proceeds.

III. PROJECT SELECTION PREFERENCES AND CRITERIA

A. QUALIFYING BUILDINGS

In order to qualify for the tax credit, an eligible building must be part of a qualifying low income project. A project is qualifying only if it meets one of the following requirements:

1. At least 20 percent of its units are rent-restricted and rented to households with incomes at 50 percent or less of area median gross income, adjusted for family size (the "20-50" test) or
2. At least 40 percent of its units are rent-restricted and rented to households with income at 60 percent or less of area median income, adjusted for family size (the "40-60" test).

B. IRC SECTION 42 STATUTORY PREFERENCES, SELECTION CRITERIA, AND SET-ASIDES

1. **Project Preferences:** For the purposes of ranking projects and allocating credit dollar amounts, the Department will give preference to projects that serve the lowest income tenants; are obligated to serve low-income tenants for the longest periods; and are located in qualified census tracts and the development of which will contribute to a concerted community revitalization plan.
2. **Selection Criteria:** The Department will consider sponsor and project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan. The Department will give weight to those projects that:
 - a. Are located in areas of special need as demonstrated by location, population, income levels, availability of affordable housing and public housing waiting lists;
 - b. Set aside units for tenant populations with special housing needs, or populations of individuals with children;
 - c. Are intended for eventual tenant ownership;
 - d. Are energy efficient; or
 - e. Are of a historic nature
3. **Qualified Non-Profit Set-Aside:** In accordance with the requirement of the Code, the Department will reserve at least 10 percent of the state housing credit ceiling for a calendar year for projects in which qualified nonprofit organizations have an ownership interest and materially participate in the development and operation of the project throughout the compliance period, all as described in the Code. A qualified nonprofit organization is an organization described in Section 501(c)(3) or (4) of the Code, which, is determined by the Department not to be affiliated with or controlled by a for-profit organization and one of whose exempt purposes includes the fostering of low-income housing.

C. CODE REQUIREMENTS

In order to receive an award of LIHTCs, a project must meet all of the requirements of Section 42 of the Code.

D. DEPARTMENT PREFERENCES, SELECTION CRITERIA, AND SET-ASIDES

In addition to the selection preferences, criteria and set-asides required by the Code, the Department may apply additional selection preferences, criteria, and set-asides, as stated in this Plan.

1. Project Preferences:

Long Term Affordability. The Department has established a threshold requirement that all competitively awarded housing tax credit projects must remain affordable for 60 years. No additional preference is conferred on projects affordable for more than 60 years.

2. Selection Criteria: The following selection criteria is used to evaluate Projects, to the extent the project:

- a. Serves tenants with the lowest income
- b. Serves qualified tenants for the longest periods (See D.1)
- c. Is located in a qualified census tract
- d. Demonstrates the strength/capacity of sponsor organizations including but not limited to financial strength, past compliance, and development record
- e. Is Consistent with OHCS' energy efficiency guidelines and green building requirements identified in the funding application
- f. Creates affordable housing opportunities in areas identified with significant population or housing condition needs, including public housing waiting lists
- g. Creates affordable housing opportunities in areas identified as previously underserved
- h. Addresses critical housing needs within communities
- i. Creates housing in communities responsive to local or statewide policy initiatives
- j. Creates housing in communities that are part of neighborhood preservation, community revitalization, or redevelopment effort
- k. Projects that result in the de-concentration of poverty by locating low-income housing in low poverty areas, which are Census Tracts where less than 10 percent of the population lives below the poverty level.
- l. Creates housing for families with children and special needs populations
- m. Involves the acquisition or rehabilitation of preservation projects with at least 25 percent of the units having federal project-based rent subsidies
- n. Integrates with other community needs through mixed-income or mixed-use projects
- o. Is located in proximity to services, employment opportunities, and/or transportation
- p. Is responsive to neighborhood character and population needs
- q. Leverages OHCS resources through other sources of funding

- r. Involves collaboration between multiple entities from the public, private and/or nonprofit sector
- s. Reuses or rehabilitates existing housing stock
- t. Innovates to create opportunity and addresses obstacles, including projects designed for eventual tenant ownership

Applications for competitive tax credit allocations are evaluated in the context of the given application and the financial feasibility or capability of the applicant to fulfill or perform each selection criteria activity. Applications may be screened for timeliness, completeness, accuracy and satisfaction of applicable minimum standards, if any. ▼

Refer to the individual competitive funding notices for specific application procedures and detailed selection criteria and scoring.

3. **Set-Asides:**

- a. **Other Set-Asides:** The Department may also reserve a portion or portions of its allocation of state housing credit ceiling for other types of projects or sponsors.
- b. **Housing and Economic Recovery Act of 2008 (HERA) Basis Boost.** Pursuant to HERA, the Department has the authority to increase the eligible basis of certain buildings to 130 percent of the eligible basis, when the Department determines that the financial feasibility of the building requires it. The Department, through its policies, shall establish criteria and procedures for implementing such designations. The criteria and procedures shall apply to all projects seeking the boost regardless of the year of the allocation to the projects, to the extent that the projects were not placed in service prior to July 30, 2008.
 - i. Involves the acquisition or rehabilitation of preservation projects with at least 25 percent of the units having federal project-based rent subsidies.
 - ii. Projects serving permanent supportive housing goals.
 - iii. Projects located in an area where workforce housing needs are identified or community needs show a preference for the housing in the area.
 - iv. Projects that are located in Transit Oriented Districts (TOD's) or Economic Development Regions (EDR's) as designated by local governments, or projects in a designated state or federal empowerment/enterprise zone or Public Improvement District (PID's), or other area or zone where a city or county has, through a local government initiative, encouraged or channeled growth, neighborhood preservation, redevelopment, or encouraged the development and use of public transportation.
 - v. Projects that result in the de-concentration of poverty by locating low-income housing in low poverty areas, which are Census Tracts where less than 10 percent of the population lives below the poverty level.

Deleted: Certain threshold requirements must be met for all projects, unless otherwise stated in any Addenda. Proposals not meeting threshold requirements will not be processed further. Threshold requirements include: Asset Management Compliance Review; Program Compliance Review; Resident Services Description Review; Readiness to Proceed; Financial Feasibility; Development Team Capacity; and Ownership Integrity.

E. PROJECT FEASIBILITY AND VIABILITY

The Department will determine the amount of tax credit necessary for a project's financial feasibility and viability as a qualified low-income housing project. The Department will not

allocate or award to a project more than the minimum amount of tax credits required to ensure a project's financial feasibility and viability.

IV. PROJECT MONITORING PROCEDURES AND NOTIFICATION

A. OVERVIEW

As the authorized allocating agency for the State of Oregon, the Department is responsible for monitoring the property for compliance with Section 42 of the Code, IRS and Treasury regulations (rulings, procedures, decisions and notices), the Fair Housing Act, State laws, local codes, Department loan or regulatory documentation, and any other legal requirements. The Department may adopt and revise standards, policies, procedures, and other requirements in administering the tax credit program. Owners must comply with all such requirements if implemented after the QAP is approved.

The Department is responsible for establishing compliance monitoring procedures and must report noncompliance to the IRS. Monitoring each project is an ongoing activity that extends throughout the extended use period (a minimum of 30 years). Projects with funding sources obtained from the Department, in addition to the credits, will be monitored for the most restrictive requirements of all combined programs. Owners must be aware of the differences in program regulations. The Department's Compliance Manual is incorporated via reference and may be found at http://www.oregon.gov/ohcs/Pages/APMD_DivisionMain.aspx.

B. COMPLIANCE MONITORING PROCESS

1. The Compliance Monitoring Process is based upon the following components:
 - a. IRC Section 42 and the promulgated regulations in the Oregon Administrative Rules for the LIHTC program
 - b. Qualified Allocation Plan for projects with Building Identification Numbers (BIN) beginning with OR90
 - c. Department's Compliance Manual
 - d. Declaration of Land Use Restrictive Covenants in effect for all projects.
2. In addition, the following conditions/criteria are met:
 - a. Each low-income unit in the project is rent restricted.
 - b. Each building in the project is suitable for occupancy, considering local health, safety, and building codes (or other habitability standards); and, the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low-income unit in the project. Additionally, all low-income units have been continually occupied, vacant but rent ready or vacant for redecorating and/or minor repairs for a period of less than 30 days, throughout the reporting period.
 - c. No tenants have been evicted for other than good cause.

3. COMPLIANCE STATUS TRACKING

The Department uses the monitoring policy to track Owner compliance with Section 42 and the Department's requirements. Issues tracked and recorded include, but are not limited to, the following items:

1. Any IRS Form 8823 events as a result of monitoring
2. Owner compliance with Department-required reporting deadlines
3. Performance of management agents employed by the Owner
4. Fair Housing violations

D. OWNERSHIP, MANAGEMENT PLANS and QUALIFICATIONS

The Department reviews all changes in Ownership and/or Management Agent. Department policy requires notice sixty (60) days prior to any change. The Owner submits the proposed new Management Plan and qualifications to Asset Management, satisfactory to the Department. Management agents and/or Owners are responsible to comply with LIHTC program requirements demonstrated by prior LIHTC experience or current relevant LIHTC training and certification.

E. ANNUAL OWNER CERTIFICATION REPORTING AND MONITORING

Annual certification of continuing compliance is due April 15th of each year.

1. Monitoring of a project will occur as follows:
 - a. An on-site inspection of all buildings in a project will occur by the end of the second year following the date the last building is placed in service. This review will include a physical inspection and a review of the low-income certification and documents supporting the certification for at least 20 percent of the tenants,
 - b. Then, at least once every three years, the Department will conduct an on-site inspection of each building exterior and all common areas in a project and will review tenant files and complete a physical inspection of at least 20 percent of the project's low-income units.
2. When a project is scheduled for review, the Department shall:
 - a. Perform the on-site file, property, and unit inspections. File inspection may occur electronically. Uniform Physical Condition Standards (UPCS) are adopted as the physical inspection protocol for the Department.
 - b. Inform the Owner as soon as possible of any finding of non-compliance resulting from the inspections.

F. INSPECTIONS

The Department reserves the right to delegate physical property and unit inspections to third parties in accordance with Oregon or Federal Streamlining Compliance processes.

G. LIABILITY

Compliance with the requirements of Section 42 and state regulation is the responsibility of the Owner. The Department is not liable for an Owner's non-compliance.

H. CORRECTION OF NON-COMPLIANCE CONDITIONS

The Department provides written notice of non-compliance to the Owner if:

1. The Annual Certification Report and attachments are not received by the due date.
2. The project is found to be out of compliance, through inspection, review or other means, with the provisions of IRC Section 42 or state regulations. The Owner will have thirty (30) days from the date of notice to supply any missing information for the Annual Certification Report and correct any non-compliance issues. The Department may grant an extension of up to ninety (90) days. At the end of the allowable correction period, the Department is required to file IRS Form 8823, "Low Income Housing Credit Agencies Report of Noncompliance," with the IRS. All non-compliance issues are reported whether corrected or not. The Department will explain the nature of the non-compliance or failure to certify and whether the non-compliance has been corrected. The IRS will make any determinations as to the applicability of recapture penalties, not the Department.

I. NON-COMPLIANCE REQUIRING ADDITIONAL DEPARTMENTAL STAFF TIME

The scope of non-compliance detected during any monitoring activity will be evaluated by the Department. At its discretion, the Department may expand the audit sampling for additional review. This expansion could extend to 100 percent of the units and/or files deemed to have noncompliance issues. The Department reserves the right to require the Owner to hire a third party auditor acceptable to the Department, at the Owner's expense, to complete corrective action related to non-compliance.

The Department may request other items to assess project status including, but not limited to:

1. Audited annual financial statements
2. Annual operating statements showing actual income and expenses as they relate to the real property
3. Documentation that all State requirements are met

J. ACQUISITION/REHABILITATION TENANT CERTIFICATION POLICY

Projects that receive an allocation of credits for both acquisition and rehabilitation are not required by the Department to complete tenant certifications for both sets of credits for the same households. Owner may *choose* to complete a rehab certification as well.

Starting at initial lease-up, the Department may request, from the Owner, compliance reports identifying low-income occupancy for each building in a project. The reports should reflect month-end information for each month of the first year of the credit period. The reports will identify each unit, all adult tenant names in each unit, and the income level at move-in or initial certification. Additional information may be requested.

K. FEDERAL FAIR HOUSING ACT

LIHTC properties are subject to Title VIII of the Civil Rights Act of 1968 also known as the Fair Housing Act. When HUD has determined that state or local laws are substantially equivalent to the federal Fair Housing Act, a state or local fair housing agency investigates fair housing allegations, attempts conciliation and determines whether reasonable cause exists to believe a discriminatory practice has occurred. If the fair housing agency makes a determination of reasonable cause, then a charge is filed with representations of the complainant provided by a state or local representative.

Reporting of Fair Housing Act Administrative and Legal Actions: HUD or U.S. Department of Justice (DOJ) will notify a State agency of:

- o a charge by the Secretary of HUD for a violation of the Fair Housing Act,
- o a probable cause finding under substantially equivalent state or local agency,
- o a lawsuit under the Fair Housing Act filed by the DOJ, or
- o a settlement agreement or consent decree entered into between HUD or DOJ and the Owner of an LIHTC property.

1. **OHCS Responsibility:** On receipt of notifications from HUD or DOJ, the Department will file a Form 8823 with the IRS noting the potential violation, and notify the owner in writing. The Department will report potential Fair Housing Act violations discovered during their compliance monitoring activities to the HUD Regional office, or other fair housing enforcement agencies as appropriate.

The Department is responsible for monitoring Fair Housing violations including Affirmative Fair Housing marketing plans, if required, and fair housing complaints.

2. **IRS Responsibility:** The IRS will send a letter to the Owner notifying them that a finding of discrimination will result in the loss of low-income housing tax credits.

L. HOUSING AND ECONOMIC RECOVERY ACT (HERA) OF 2008 DATA COLLECTION

To the extent required by federal law, the Owner/Agent will assist the Department with meeting federal reporting requirements by collecting and submitting information annually concerning the race, ethnicity, family composition, age, income, disability status, monthly rental payments, and use of rental assistance under section 8(o) of the United States Housing Act of 1937 or other similar assistance, of all low income households.

M. RECORDKEEPING AND RECORD RETENTION

1. **Recordkeeping:** The Owner of a low-income housing project must keep records for each building in the project for each year of the term of the Regulatory Agreement (Extended Use Agreement):
 - a. The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit);
 - b. The percentage and number of residential rental units in the building that are low-income units;
 - c. The percentage and number of residential rental units in the building that are subject to the additional low-income unit set-aside requirements;
 - d. The percentage and number of residential rental units in the building that are subject to the special-needs unit set-aside requirements;
 - e. The rent charged for each low-income unit in the building (including any utility allowances);
 - f. The number of occupants in each low-income unit;
 - g. The number of occupants in each residential rental unit in the building that is subject to a special-needs unit set-aside requirement related to household size;

- h. The low-income unit vacancies in the building and information that shows when, and to whom, the next available units were rented;
 - i. The vacancies of any additional low-income set-aside units in the building and information that shows when, and to whom, the next available units were rented;
 - j. The vacancies of any special-needs set-aside units in the building and information that shows when, and to whom, the next available units were rented;
 - k. The initial annual income certification of each low-income resident and any recertification of income that is required;
 - l. Documentation to support each low-income household's income certification;
 - m. Documentation to support that each household that is subject to a special-needs unit set-aside for such special-needs unit set-aside or commitment;
 - n. The eligible basis and qualified basis of the building at the end of the first year of the credit period;
 - o. The character and use of the nonresidential portion of the building included in the building's eligible basis under Section 42(d) of the Code; and
 - p. The date that a resident initially occupies a rental unit and the date that a resident moves out of a rental unit.
 - q. The Owner shall also keep such additional records throughout the term of the Regulatory Agreement (Extended Use Agreement) necessary or appropriate to demonstrate compliance with the Code, the tax credit program and the Owner's commitments and obligations under the tax credit program contracts, including the Regulatory Agreement (Extended Use Agreement).
2. **Record Retention:** The Owner of a low-income housing project must, during the term of the Regulatory Agreement (Extended Use Agreement), retain the records described above: (i) for at least six (6) years after the due date (with extensions) for filing the federal income tax return for that year; and, (ii) with respect to any year for which an income tax return is not filed or does not reflect the Credit for such project, for at least six (6) years after the end of that year. The records for the first year of the credit period as defined under Section 42(f)(1) of the Code, however, must be retained for at least six (6) years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period as defined under Section 42(i)(1) of the Code with respect to a building in the project.

Except as otherwise provided, the Owner of a low-income housing project must, during the term of the Regulatory Agreement (Extended Use Agreement), retain the original local health, safety, or building code violation reports or notices that are issued by any state or local government unit.

V. ADDITIONAL CONSIDERATIONS

A. RESERVATION OF RIGHTS

1. Documentation of Discretion

The Department may, at its sole discretion, award credits in a manner not in accordance with the requirements of the Qualified Allocation Plan. If any provision of this Qualified Allocation Plan (and documents included herein by reference) is inconsistent with the provisions of amended IRC Section 42, or any existing or new State Laws or State Administrative Rules governing the LIHTC program, the provisions of IRC Section 42, State Laws or State Administrative Rules take precedence over the QAP.

All department policies other than those mandated by Section 42 are considered as guidelines and may be waived. A written request for a waiver or exception, accompanied by justification, may be submitted to the Department. QAP waivers will be documented for all projects and regular periodic publications of waivers will identify the applicant, the QAP provision waived, and the reason for waiver. In addition, the summary for projects recommended for funding may identify and explain waivers granted for any projects listed.

2. Policy on Exceptions/Waiver Requests

At least 30 days prior to the closing date for applications, applicants, lenders, or syndicators must request a waiver or exception in writing with a full justification. Furthermore, the Department reserves the right to waive any provision or requirement of the QAP that is not stipulated in IRC Section 42 in order to affirmatively further fair housing.

3. Partial Invalidity

If any provision of this QAP, or the application of this Plan to any person or project, is found by a court to any extent to be invalid or unenforceable, the remainder of this Plan, or the application of that provision to persons or circumstances other than those with respect to which is held invalid or unenforceable, shall not be affected. Each provision of the Plan shall be valid and enforceable to the fullest extent permitted under or federal law.

4. Disclaimer

Issuance of a LIHTC reservation pursuant to a Reservation and Extended Use Agreement, an LIHTC carryover allocation (Carryover) or placed in service allocation as indicated by the IRS Form 8609 by the Department, shall not constitute or be construed as a representation or warranty as to the feasibility or viability of the project, or the project's ongoing capacity for success, or any conclusion with respect to any matter of federal or state income tax law. All LIHTC allocations are subject to the IRS regulations governing the LIHTC program, and sponsors are responsible for the determination of a project's eligibility and compliance. If statements in this QAP are in conflict with the regulations set forth in IRC Section 42, the IRC regulations shall take precedence. While this QAP and the applicable NOFA governs the Department's process of allocating LIHTC, sponsors may not rely upon this guide or the Department's interpretations of the IRC requirements.

No executive, employee or agent of the Department, or of any other agency of the State of Oregon, or any 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 LIHTC, or the approval or administration of this QAP.

Lenders and investors should consult with their own tax or investment counsel to determine whether a project qualifies for LIHTCs, or whether an investor may use the LIHTCs, or whether any project is commercially feasible.

B. FEES AND CHARGES

The State of Oregon and the Department may assess appropriate fees and charges in order to administer and monitor the LIHTC program.

C. PUBLIC COMMENT REQUIREMENTS FOR THE QAP AND AMENDMENTS

Pursuant to ORS 456.555(6) (a), the State Housing Council (Council), with the advice of the Director of the Department, sets policy and approves or disapproves rules and standards for housing programs of the Department. The Council, together with the Department, reviewed the QAP contained herein and recommended it for the Governor's approval. After approval of the QAP, the Department may make minor and technical amendments to this QAP when changes are necessary to administer the LIHTC program to effectively serve Oregon's low-income housing needs, and to conform with amendments to IRC Section 42 and Department goals. Prior to the issuance of any amendment to this QAP, the Department will issue a public notice in accordance with Oregon Public Meeting Law to allow for public comment. The Department may adopt any amendments for which it has issued adequate public notice.

D. CORRESPONDENCE AND SUBMITTALS

All correspondence and submittals to the Department pursuant to this Plan shall be in writing and delivered to:

LIHTC Program Manager
Oregon Housing and Community Services
725 Summer St. NE, Suite B
Salem, OR 97301-1266

E. EFFECTIVE DATE

This Qualified Application Plan shall be effective upon its approval and execution by the Governor.