

At the February 2025 Housing Stability Council meeting, OHCS updated conduit bond charges. The updated charges have been calculated based on a deal structure including bonds drawn in full at closing and standard 20-30 year loan term post-conversion. For certain structures like short-term draws, related parties and re-issuances, we will work with our advisors (bond counsel, financial advisors, our internal debt management team) to get as close to the present value of this charge as possible, which might require different calculations.

CONDUIT BOND CHARGES

Type	Amount	Description/Comments
Conduit Bond Application	\$1,500	In addition to the ORCA Application charge.
Issuance Charge	1.5%	Charged up front on the full tax-exempt portion of the bond.
Annual Charge on Balance	0.25%	Charged annually on the remaining outstanding, or drawn, balance of the full bond (tax-exempt and taxable if there is a taxable tail).

FREQUENTLY ASKED QUESTIONS

When do these new charges take effect? The updated charges will apply to all projects receiving fund commitment for bonds after 2/7/25. Projects already in the pipeline with a closing date that applied for bonds prior to 2/7/25 will be under the old charges.

When is the first payment of the annual charge on balance? The annual charge will be billed every January, no less than 12 months after construction closing¹. For example, if a project closes in September 2025, the first annual charge on balance will be billed in January 2027.

Is the annual charge based on the amount of bonds drawn at that time? Yes, the annual charge is based on the drawn balance of the full bond and applies to both short and long-term debt.

In the Proforma, is the annual charge in the operating budget or below the line? The annual charge is must-pay and in the operating budget, similar to all other OHCS charges and in line with how other states model their annual bond

¹ Construction close is when OHCS closes the project, bonds are issued, and construction begins.

charges. However, this charge does not trend 3% per year like other operating assumptions; the 3% expense escalator built into the Proforma does not apply.

Can I prepay a portion of the annual charge? OHCS will evaluate prepay requests on a case-by-case basis. OHCS will consider prepayment requests based on several factors including but not limited to the project's long-term financial viability, debt service coverage ratio and current industry's best practices.

Is there still a drawdown charge? No. Prior to February 2025, if the bonds were partially drawn at closing there was an additional 0.5% up front charge. This charge was removed in the updated structure.

Do recycled bond cap and 501c3 tax-exempt bonds have these charges? Yes. All tax-exempt conduit bonds, including private activity bonds, recycled bond cap and 501c3 bonds, are subject to these charges.

When is the issuance charge billed? The 1.5% upfront issuance charge is paid at construction close through the escrow.

Can costs associated with conduit bond issuance generate eligible basis? Yes – as of June 2024, cost associated with conduit bond issuance are now allowed to generate eligible basis for the computation of LIHTC, which will offset some of the increase in issuance charges that sponsors may face. OHCS recommends that sponsors contact their tax counsel and tax credit advisors to confirm these calculations.

EXAMPLE SCENARIO

Construction Close: September 2025

Construction Finish (Projected): April 2027

First Annual Charge Invoice: January 2027

- Bonds drawn down at January 2027: \$26MM
- Bond charge in January 2027 = $\$26\text{MM} \times 0.25\% = \text{\$65,000}$

Project converts: September 2027

Perm loan amount (long term bonds) = \$15MM

Annual bond fee in January 2028 = $\$15\text{MM} \times 0.25\% = \text{\$37,500}$

The bond fee then incrementally comes down as the principal on the bonds is paid down.