

Oregon Housing and Community Services

General Policy and Guideline Manual (GPGM)

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Affordable Rental Housing Division

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OVERVIEW

The Affordable Rental Housing Division (ARH) of Oregon Housing and Community Services (OHCS) is responsible for allocating state and federal resources for the development and preservation of affordable multi-family housing (Projects) in Oregon. OHCS provides resources to partners through an application process allowing the agency to evaluate each proposal based on standards, benchmarks, and criteria as put forward by ARH. State and federal resources generally have specific requirements tied to the individual resource and are governed by rules, manuals and guidelines consolidated into an OHCS funding program (Program). ARH allows developers to apply for funding for these resources through the Oregon Centralized Application (ORCA) process and provides this General Policy and Guideline Manual (GPGM or Manual) to share relevant uniform policies and guidelines with respect to the allocation of these resources.

1) PURPOSE OF THE POLICY

When submitting an application for OHCS resources for a Project, the Applicant must satisfy the requirements of this Manual, the requirements of any Program from which funding is assigned or requested, the requirements of the ORCA, and any other applicable funding requirements, whether in statute, administrative rule, regulation, or otherwise (collectively, the Project Requirements).

2) APPROVAL AND EFFECTIVE DATE OF THE GENERAL POLICY AND GUIDELINE MANUAL

This Manual shall be effective upon its approval and shall remain in effect indefinitely or until modified or terminated. Upon adoption the Manual requirements will apply to all Projects with applications dated April 1, 2024, or later.

3) ADMINISTRATION AND INTERPRETATION OF THE GPGM

OHCS staff is authorized to interpret and administer the GPGM. In addition, staff has the authority to interpret and administer any specific Program regulation, policy, related administrative rule, or other Project requirement subject to the limitations of law.

OHCS regularly sends out information including but not limited to funding offering information, regulatory changes, trainings, etc., to interested parties in the form of email communications referenced as Affordable Rental Housing Division/Technical Advisories. To receive Technical Advisories, click “News and Updates”, then “E-news Sign Up” on OHCS’s website at: <https://www.oregon.gov/ohcs/pages/index.aspx>.

4) DEFINITION OF TERMS

Accessible - Units that include construction and or constructed elements enhancing further mobility of persons with disability and the ability to reach or access areas of the unit by any disabled tenant.

Affordability Agreements - These are documents that contain the long-term affordability restrictions which Applicants agree to when receiving funding from affordable housing Programs. They are not exclusive of other required Project documents.

Application or Request - This means all the required Exhibits and Forms, if any, submitted by an Applicant for a Project.

Applicant – Any sponsor or developer or other entity related to a Project applying for funding from OHCS through the ORCA process or otherwise on behalf of that Project.

Capital Needs Assessment (CNA) - also known as a Physical Needs Assessment, is a property inspection report that estimates the future costs of property maintenance and determines the cost to repair any parts of a property that must be fixed urgently.

Co-Developer or Developer - An organization with a controlling interest in the proposed or funded Project and that is or will be compensated for that controlling interest.

Construction Closing - Typically, this is the stage in the funding process when all conditions of the Reservation Letter are satisfied, and the Project is ready to commence construction.

Contingency - A set aside of funds to be used for construction or development but may not be certain to occur, and if used must not exceed OHCS combined maximums with any Application submission.

Development Team - This means the Applicant, the developer, the co-developer, the project management consultant, the general contractor, and all persons or organizations materially involved in the acquisition, construction, rehabilitation, development, or improvement of the Project.

Federally Subsidized Building - A building is federally subsidized if it is financed by federal tax-exempt bonds or federal funds.

GPGM or Manual - The General Policy and Guideline Manual (this document).

Geographic Regions - These are the three (3) areas of the state (Metro, Eastern Oregon, Western Oregon) that are grouped for the purpose of identifying needs and setting aside resources through the ORCA process.

Identity of Interest - Identity of Interest means a financial, familial, or business relationship that permits less than arm's length transactions. For example: Related Entities/Persons; persons, entities, or organizations affiliated with or controlled by or in control of another; existence of a reimbursement program or exchange of funds; common financial interests; common officers, directors, stockholders, or managers; or family relationships between officers, directors, or stockholders.

LIHTC - Low Income Housing Tax Credits (also referred to as LIHC or Tax Credits).

Median Family Income - Refers to the applicable published program income limits, also known as Area Median Income (AMI). HUD establishes the median income for families in metropolitan and non-metropolitan areas for the current year and adjusts that amount for different family sizes.

Noncompliance - Noncompliance means a failure to meet any covenant, condition, or term of any agreement between the Applicant or Project owner (including their officers, employees, agents, and assignees) and OHCS, a failure to meet the requirements of Section 42 of the Code, or a failure to meet any other requirements of a Program from which a Project received funding.

OHCS Affordable Rental Housing (ARH) - The section of Oregon Housing and Community Services that is responsible for the funding and administration of the LIHTC, HOME, and related affordable rental housing Programs.

ORCA - The Oregon Centralized Application (ORCA) is a uniform set of requirements for Sponsors to apply for funding from OHCS through any and all of its Programs through a consolidated funding process.

Oregon Administrative Rules - The Oregon Administrative Rules (OARs) are the principles by which OHCS administers affordable housing Programs that are approved from time to time through the State administrative rule process.

Placed-In-Service - This is the date for a new or existing building on which the building is ready for occupancy 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 twenty-four (24) month period over which the expenditures are aggregated, or a shorter timeline when appropriate.

Preservation - Projects where at least twenty-five percent (25%) of the units have federal Project-based rent subsidies, and HUD Housing Choice Voucher Program (Section 8) contracts are expiring; or the USDA Rural Development loans are maturing within 7 years; or the USDA Rural Development restrictive use covenants have expired; or the OHCS funding source restrictions are expiring within 7 years of the date of initial application; or the Project needs recapitalization, per capital needs assessment, for issues arising from physical conditions such as health and safety repair needs, the need for substantial critical rehabilitation, and building condition as documented in a Capital Needs Assessment; or Projects with public housing units undergoing a preservation transaction involving a comprehensive recapitalization.

Principal(s) - This means: (1) with respect to a Project owned by a partnership, the partners; (2) with respect to a Project owned by a limited liability company, the members and managers; and (3) with respect to a Project owned by a closely held corporation, the shareholders.

Program Funds - The amount of grant funds, loan funds, or tax credit allocation identified in a specific Program to finance a Project or Projects.

Program Limits - These are the financial limits set by regulation and OHCS on the amount of debt service, LIHTCs, loan amounts, construction contingency, developer fee, contractor's profit and overhead that apply in general to all Programs; and to the per Project basis boost allowed in the LIHTC Program.

Program(s) - A Program is a specific source of state or federal funds subject to a set of required codes or statutes that provide a methodology to award funds to the public for the development of affordable housing Projects.

Program Requirements - All terms, conditions, covenants, or other obligations of an Applicant or Owner (including through their officers, employees, contractors, agents, and assignees) with respect to a Program from which funding is sought or provided with respect to a Project, including as

contained in relevant statutes, regulations, administrative rules, manuals, codes, OHCS directives, policies, applicable documents, or otherwise.

Project - A low-income multifamily housing development for which funding, in whole or in part, is sought from or obtained from OHCS.

Qualified Nonprofit Organization - This is an organization described in IRC Section 501(c)(3) or 501(c)(4) who are exempt from federal income tax under IRC Section 501(a), OHCS determines is not affiliated with or controlled by a for profit organization and a stated purpose of such organization includes fostering low-income housing.

Related Entity/Person - These 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 fifty percent (50%) ownership interest; (5) two business entities, either corporations or partnerships, where a party has more than a fifty percent (50%) 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.

Sponsor – This is an individual, group, or organization that provides resources, support, and leadership to the Project team and generally “owns” the affordable housing development Project.

Standards Based Evaluation Criteria - These are the standards, benchmarks, and criteria by which OHCS will evaluate projects in the ORCA process to determine if they meet the requirements for funding.

Visitable - This means that a Project is able to be approached, entered and used by individuals with mobility impairments including, but not limited to, individuals using wheelchairs.

5) PUBLIC RECORDS

Materials and information submitted to OHCS are subject to public disclosure unless otherwise exempt from disclosure under ORS 192.355(24) or any other provision of the Oregon Public Records Law.

As of the date of this Manual, ORS 192.355(24) exempts OHCS from releasing to the public the following records, communications, and information submitted to OHCS by Applicants and recipients of loans, grants, LIHTCs, or other financial assistance:

- Personal and corporate financial statements and information, including tax returns,
- Credit reports,
- Project appraisals, excluding appraisals obtained in the course of transactions involving an interest in real estate that is acquired, leased, rented, exchanged, transferred, or otherwise disposed of as part of the project, but only after the transactions have closed and are concluded,
- Market studies and analyses,
- Articles of incorporation, partnership agreements and operating agreements,
- Commitment letters,
- Project Pro Forma and Project operating statements,

- Project cost certifications and cost data,
- Audits,
- Project tenant correspondence (unless confidentiality is waived),
- Personal information about a tenant, and
- Housing assistance payments.

OHCS provides no assurance that any materials provided to OHCS can be protected from public release.

6) WAIVERS

If OHCS acts contrary to or fails to take action in accordance with the GPGM or any other Project Requirement, such act or omission does not constitute a waiver by OHCS of an obligation of a Project, person, or other entity to comply with the provisions of the GPGM, other Project Requirements, or formal commitments made, or establish a precedent for any other Project, person or entity. No waiver, modification, or change of the GPGM, any OHCS Program Manual, or any other Project Requirement will be binding upon OHCS unless it is in writing, signed by an authorized agent of OHCS, and consistent with law.

7) REMEDIES

OHCS may exercise any remedy provided in the GPGM, in any Program, or in any Project requirement (including, but not limited to, any associated legal document), or any remedy otherwise available under law with respect to any violation of applicable Project or Application requirements. OHCS remedies may include, but are not limited to, rejection of an application, denial of an application, or termination of the processing of an application.

GENERAL REQUIREMENTS

Owners must satisfy these general requirements in order to obtain a conditional commitment of resources and for the subsequent resource commitment and disbursement of OHCS resources.

1) FAIR HOUSING & CIVIL RIGHTS COMPLIANCE

OHCS requires all Applicants and Recipients of OHCS resources to:

- Comply with all applicable state and federal nondiscrimination laws,
- Act affirmatively (including the use of appropriate outreach) to ensure those who may be, or are at risk of being, underserved are provided with OHCS resources and appropriate accessibility,
- Comply with Equal Opportunity Employment standards in hiring and retaining personnel, and
- Satisfy any population specific or services standards as required in Program Requirements or as set forth in Project agreements.

2) MINORITY, WOMEN, AND/OR EMERGING SMALL BUSINESS (MWESB) ENGAGEMENT

Minority, Women, and / or Emerging Small Businesses (MWESB) enterprises are those registered with the State of Oregon as such through the COBID process, or self-identifying as such, certified through the OHCS approved forms and processes. All Applicants must identify approaches and/or

targets for contracting with MWESB contractors/subcontractors in the construction and operation of the proposed Project. Recipients must submit a report to OHCS demonstrating outcomes of efforts to contract with MWESB contractors/subcontractors.

3) IDENTITY OF INTEREST

Applicants must disclose and describe to OHCS all Identities of Interest that exist with respect to the Applicant. Such disclosures shall be made when the Application is submitted or at any point in the process where an Identity of Interest may be created if the relationship arises after the Application has been submitted.

Identities of Interest that are not disclosed may result in disqualification, a cancellation of funding, a breach of contract or other appropriate measure as determined by OHCS.

4) MISREPRESENTATION AND FRAUD

OHCS may disqualify an Applicant or Project, or cancel funding, if the Applicant, a Co-Applicant, a Principal, or any representative of these entities makes a material misstatement, omission, or misrepresentation to OHCS, is currently under investigation by a public body for, has a pending claim, indictment, suit, action, or other proceeding against them for, or has been convicted of or been determined by an administrative or judicial (whether criminal or civil) order or judgment to have committed fraud, misrepresentation, theft, embezzlement, or any other act of moral turpitude (including, but not limited to any felony or malicious behavior) within the previous ten years. OHCS, in its sole discretion, may also exercise any and all other remedies available, or otherwise available by law.

5) PROJECT CHANGES

Applicants must notify OHCS in writing of, and obtain its written consent to, any material change in a Project. Applicants must notify OHCS promptly when a material change is first identified. OHCS may give or withhold its consent, or condition its consent, in its reasonable discretion.

For the purposes of applicable funding requirements under grant or loan agreements, or within the framework of an OHCS funding offering, *material change* means a change in or relating to the business, operations or use of capital provided by OHCS that taken as a whole would reasonably be expected to have a significant effect on the Project budget, housing type and population served, and includes a decision to implement such a change made by the principal or board of directors of the Applicant, Project sponsor, or owner.

A “material change” includes, but is not limited to, the following:

- Expanding the scope of the Project, which includes, but is not limited to, adding or subtracting buildings, units, and design elements that impact the budget and livability of tenants,
- Changing Project type,
- Switching to a different intended tenant population,
- Replacing sponsor and Project ownership that has a financial impact on the Project or on any co-developers,
- Adding or removing a financing source,
- Showing a funding gap, after funding approval and prior to closing and construction start, of more than ten percent (10%) of OHCS investment (exclusive of Tax Credits) or changing the

number of units by ten percent (10%) or more is a substantial material change. In the case of a funding gap, Applicant must either locate additional funding to reduce the gap or forfeit the funding reservation.

OHCS will determine whether a change in a Project is material and that determination is final. If OHCS determines that a change in a Project is material, the Project will no longer be in compliance with any conditional commitments made by the Applicant, and the Applicant must repeat the Application process.

6) FEASIBILITY AND VIABILITY ANALYSIS

OHCS will only allocate such Program resources to a Project as it determines are necessary for the financial feasibility and viability of the Project. OHCS will evaluate each proposed Project based on relevant factors, including but not limited to the following items:

- Project cost, including the reasonableness of cost per unit, developer fees and overhead, consultant fees, builder profit and overhead, and syndication costs.
- Sources and uses of funds and the total financing planned for the Project, including the ability of the Project to service debt.
- The proceeds or receipts expected to be generated by reason of tax benefits.
- The use of federal funds and other assistance.
- Other factors that may be relevant to the economic feasibility of the Project such as the area economy or the housing market.

Feasibility limits may be used in the determination of the amount of funding OHCS reserves for each project. If Projects fall outside the limits, OHCS may request Projects be brought in line with OHCS maximums and other limits prior to moving forward with consideration of an award. They may include but are not limited to the following:

- AMI and/or Rent levels per funding source requirements including the number of units needed and unit mix per funding source required.
- Verification and reasonableness of other income projected in income projections.
- Replacement Reserves of \$450 per unit.
- Maximum per unit expenses are reasonable and supported by historical, third party, or industry standard analysis.
- If using OAHTC, the Project demonstrates the ability to meet annual passthrough requirements where Project is not exempt.
- If applicable, tenant relocation plan and tenant survey must be submitted for approval and included in the Project budget and Uses of Funds.

Based on this evaluation, OHCS will determine which Program resources are to be reserved for the Project and estimate the amount of each resource assigned. Projects exceeding the maximums may be underwritten to these standards for determination of resources awarded.

7) APPRAISAL REQUIREMENTS

OHCS requires an appraisal for every Project as part of the required documentation for an Application, either in combination with a Market Study or as a stand-alone appraisal prepared in conformance with Oregon Statutes, FIRREA standards, and OHCS policy.

- FIRREA standards require that appraisals must be ordered by the lender or other financial institution. The bank or financial institution must engage the appraiser, who cannot have an

identity of interest to the lender, borrower, seller or buyer. The bank or financial institution must define the purpose of the appraisal and provide guidance to the appraiser as to the bank or financial institution requirements.

- For Projects who currently have restricted rents, the appraisal must include an “As is” Restricted Rent Value.
- For Projects currently receiving or will receive at time of sale a project-based subsidy, the appraisal must include an “as is” restricted rent value taking into consideration the subsidy is generally marked to market.
- For Projects who do not currently have restricted rents, the appraisal must include an “as is” Market Rent Value.
- In all appraisals an “as is” Market Value for land must be included, which reflects all restrictions on the land.
- OHCS must be named as an intended user of the appraisal and OHCS must be provided an opportunity to discuss the report with its preparer.
- OHCS does not waive requirements for appraisals.

Applicant must obtain OHCS approval of the scope of work in the letter of engagement before the appraiser is engaged.

Deadlines for delivery of appraisal to OHCS:

- Standard ORCA process – Acceptable appraisal must be received at or before Financial Eligibility step to receive approval to move past that step.
- 9% LIHTC programs – Acceptable appraisal must be received within ninety (90) days of award.
- 4% LIHTC program – Acceptable appraisal must be received as soon as available, but not later than thirty (30) days prior to construction close.

8) CONSTRUCTION CLOSING

For standard ORCA applications, the Applicant must provide OHCS a completed and signed Closing Date Commitment Letter formally scheduling their Construction Closing, a final development budget, final sources of funds, and documents to substantiate the final budget in order to receive a Reservation Letter and begin the closing process.

For 9% LIHTC transactions, Applicant(s) must give OHCS at least 90 days written notice of the scheduled Construction Closing. At least 30 days prior to the Construction Closing, but after the general contractor bids have been received, the Applicant must submit to OHCS the Project’s final development budget, final sources of funds, and documentation to substantiate the final budget.

For 4% LIHTC transactions, the Applicant must submit to OHCS the Project’s final development budget, final sources of funds, and documentation to substantiate the final budget items at least 30 days prior to OHCS staff submission to OHCS Finance Committee for approval.

9) PROGRAM AFFORDABILITY AGREEMENTS

Any Program funding is subject to the execution and, as appropriate, recording of legal documents satisfactory to OHCS. Certain documents (such as Operating Agreements and Declarations of Restrictive Covenants) include long-term affordability requirements. Failure to execute, record, or adhere to these Affordability Agreements and other legal documents, including but not limited to

their restrictive covenants or resultant equitable servitudes will result in the termination of Application processing, loss of funding, and recoupment of disbursed funding.

10) MINIMUM AFFORDABILITY REQUIREMENTS

Each OHCS funding source will have income and/or rent restrictions. Program Requirements will specify the applicable restrictions. When multiple funding sources are used, the most restrictive income and/or rent requirement applicable to the Project units in question applies.

For a Project that includes unrestricted units, OHCS has several standards that must be adhered to in order to be eligible for and receive funding.

- Project must have affordability restrictions placed on a minimum of 10 units or 10% of total units, whichever is greater.
- Funding may not be used for the acquisition, construction, or rehabilitation of, or for any other costs relating to unrestricted units.
- Shared costs including, but not limited to, roof, parking, or infrastructure costs, may be financed in part using OHCS resources in the manner described in OAR 813.380
- The allocable cost of tenant facilities, such as swimming pools, other recreational facilities, and parking areas may be included provided there is no separate fee for the use of the facilities, and they are made available on a comparable basis to all tenants in the project.

11) CORE-DEVELOPMENT MANUAL; ARCHITECTURAL GUIDANCE AND STANDARDS

OHCS has established design and construction standards in the Core-Development Manual located at: <https://www.oregon.gov/ohcs/development/pages/core-development-manual.aspx>.

These standards include accessibility requirements, climate resilience recommendations, energy efficiency guidelines and other architectural instructions supporting affordable housing development.

12) DEPARTMENT OF STATE LANDS (DSL) WETLANDS POLICY AND REVIEW

Applicants must provide tax lot numbers of every parcel for submission to DSL. If a Project has its Impact Assessment application approved and receives a Comfort Letter and Conditional Hold of resources, OHCS will conduct an initial review for wetlands. If OHCS believes that there are wetlands present on site, it will send the information to DSL to verify the presence of regulated wetlands. If DSL determines wetlands are present or likely to be present, the Applicants must hire a qualified wetland consultant to conduct a wetlands compliance verification and boundary delineation for submission to DSL. DSL may require additional site and/or design requirements for the Project.

13) BUREAU OF LABOR AND INDUSTRIES (BOLI) REQUIREMENTS

Applicants must contact BOLI for a determination of whether prevailing wage laws apply to the proposed Project. A BOLI determination letter is required for every Project as part of the required documentation for an application to be approved at the Financial Eligibility step of an Application.

Although BOLI is the only body that can make a determination regarding the applicability of prevailing wage requirements, as a general matter the Project may be subject to state prevailing

requirements if the Applicant receives \$750,000 or more in public funds and does not meet the following criteria:

- Sixty percent (60%) or more of the occupants have incomes less than or equal to 60% of area median income (AMI);
- The Project is not more than 4 stories in height; or
- No portion of the Project, even if not constructed or contracted for construction by the Applicant, constitutes public works.

At any time during development, any change in the Project could cause the BOLI determination to be void. Applicant should request updated determinations from BOLI if there are changes to the Project after receiving a determination letter.

This notice does not constitute legal advice. OHCS is not responsible for the determination of prevailing wages status on projects. OHCS will not increase funding to fill gaps resulting from the Applicant's failure to budget for prevailing wage requirements and may instead rescind such reservation or recoup allocated resources.

14) HISTORIC PRESERVATION

Buildings 50 years old or older may have historical significance. If the Project involves a building 50 years old or older, the Applicant must contact the State Historic Preservation Office (SHPO) to determine if the development will impact a building of historical significance and to understand SHPO requirements. State Historic Preservation Office information can be found here:

<https://www.oregon.gov/oprd/oh/pages/default.aspx>

15) CONSISTENCY WITH STATE CONSOLIDATED PLAN

OHCS is required to develop a comprehensive state plan for low-income Oregonians (OAR 456.572). OHCS has adopted the state and local Consolidated Plans as its comprehensive state plan. All Projects must be consistent with the state and local Consolidated Plans at the time the Impact Assessment application is submitted.

16) ENVIRONMENTAL ASSURANCE

OHCS expects that Projects will be developed and operated in an environmentally safe and sound manner. Applicants and owners of Projects must comply with all applicable environmental laws. They must obtain appropriate environmental studies with respect to Project development and show they are mitigating any negative conditions found through those studies to OHCS' satisfaction. They also must design, develop, and operate the Project to ensure it provides safe, sanitary, and otherwise habitable housing for tenants; adequately protects the value of any security interest of OHCS in the Project; and will function as intended for any applicable affordability period.

GENERAL UNDERWRITING

1) PROGRAM LIMITS

OHCS has established the following program limits (Program Limits) for evaluating Projects. The Application should demonstrate compliance with all Program Limits. OHCS may reduce a Project's budget and funding amounts to reflect the Program Limits listed below. Applicants must explain and provide evidence of mitigating factors for any variations. Using one funding source to pay for an ineligible item with another funding source is not allowed.

Operating Expenses

Operating expenses will be reviewed for reasonableness and OHCS may require Applicants to submit documentation to support the long-term Operating Budget. OHCS will require a minimum and a maximum that are supported by historical, third-party, and industry standard analysis. Projects that exceed OHCS maximum expenses per unit may be either rejected or have funding restricted by feasibility limits. Projects below the OHCS minimum may be required to resubmit with adequate amounts reflected in their budget to meet minimum standards, or similarly be rejected.

Minimum Debt Coverage Ratio

The minimum Debt Coverage Ratio (DCR) will be 1.15:1 for all hard amortizing debt through the initial 30-year pro forma period. OHCS may reduce Program Resources for any Project with a debt coverage ratio that exceeds 1.30:1. OHCS reserve the right to provide exceptions consistent with the requirements of other funders.

If a Project does not have any permanent debt, the Project must meet a 30-year positive cash flow requirement.

Maximum Construction Contingencies

The maximum construction contingency is 10% for rehabilitation Projects and 5% for new construction Projects. The percentages apply to hard costs, site work, and contractor profit and overhead. The contingency maximum is evaluated using all construction contingencies combined, i.e. owner, contractor, other.

Maximum Developer Fees

OHCS allowable developer fees are specified in the table below; calculated as: (developer fee plus consultant fees) divided by (total Project cost minus acquisition cost, developer fee, consultant fees, and capitalized reserves).

Project Size	New Construction	Acquisition/ Rehab	LIFT Acquisition Only
<31 Units	16%	16% + \$4,000/unit OR + \$5,500/unit for Preservation	5%

31-75 Units	14%	14% + \$4,000/unit OR + \$5,500/unit for Preservation	5%
76-100 Units	12%	12% + \$4,000/unit OR + \$5,500/unit for Preservation	5%
100+ Units	10%	10% + \$4,000/unit OR + \$5,500/unit for Preservation	5%

Deferred Development Fees

Proforma must demonstrate deferred developer fee repayment by year 15, if applicable.

Maximum Contractor Profit and Overhead

When the general contractor is a Principal, Related Entity/Person or otherwise has an Identity of Interest with the Applicant or Project owner, the general contractor's maximum combined profit, general conditions and overhead is limited to 10% of total rehabilitation/construction costs plus site work costs. All other contractors will be limited to 14% of total rehabilitation/construction costs plus site work costs.

Close Out / Final Application Requirement

OHCS requires submission of a final close out application, these details will vary from Project to Project and are shared with the Sponsor as the Project moves toward lease up.

Retainage Policy

Ten percent (10%) of the largest OHCS-funded capital resource in a housing Project is held as retainage on all OHCS funded multifamily Projects until all the conditions for release listed below are met to OHCS' satisfaction (unless there is HOME and/or HTF funding in the Project).

When HOME or HTF is a resource in a Project, the retainage will apply to, and be based on the larger of either the HOME or HTF amount in the Project even when it is not the largest capital resource in the Project.

Conditions for Release of Retainage

Projects with LIHTC as a Resource:

For Projects that have federal tax credits (LIHTC), the retainage can be released at Certificate of Occupancy (CO) or, if agreed to by OHCS, Temporary Certificate of Occupancy (TCO). In order to release retainage at CO/TCO for project with LIHTC resources, the following requirements must be met:

- The Sponsor must provide the CO for all sites and buildings or Certificate of Substantial Completion. TCO may be acceptable at OHCS' discretion.
- Monthly reporting must be up to date.
- OHCS must have received an updated Application.

OHCS retains the right to release holdbacks on construction closing if these funds are needed as a cash collateral account for a public bond offering.

Projects using State HOME or HTF:

For projects using HOME and HTF resources the following steps are necessary in order to release retainage:

- The Sponsor must provide the CO for all sites and buildings or Certificate of Substantial Completion. TCO may be acceptable at OHCS' discretion.
- The final construction inspection must have occurred, and any identified outstanding items satisfactorily resolved.
- HOME and HTF units must be occupied and final tenant income, rent, and demographic information must be reported to OHCS.

The criteria listed above is not applicable to HUD related sources offered through other participating jurisdictions.

Projects using State-funded resources without any OHCS federal resources:

For Projects without LIHTC, additional documentation is required and Projects must be further in the completion process before retainage can be released. For these Projects, the following items must be met prior to release of retainage.

- All close-out materials and items listed in the Reservation and Conditions letter (RCL) have been received and are satisfactory to OHCS.
- Core-Development Manual (CDM) forms A-AS, A-AF, and A-CR and all associated documentation have been received and are satisfactory to OHCS.
- All construction draws have been processed.
- The CO has been received.

Cost Savings Clause

Any cost savings clause included in the final, executed owner-contractor agreement must include the OHCS Production Analyst assigned to the Project in the distribution list for the submission of all contractor draw requests and change orders as submitted to the lender throughout the Project. Any cost savings may result in a reduction of Program Resources.

2) PROGRAM THRESHOLD REQUIREMENTS

The Applicant must demonstrate it is in compliance with all applicable Minimum Threshold Requirements. Failure to do so will disqualify the Applicant from receiving any Program Resources.

Asset Management Compliance

Applicant's current portfolio of Projects monitored by OHCS must comply with required Program and OHCS regulations. OHCS will evaluate each Applicant using a standardized internal process reviewing asset management and compliance categories, including the following:

- Most recent rating received for management reviews.
- Physical inspections.
- Tenant file reviews.

- Real Estate Assessment Center (REAC) scores.
- Submission of required reporting including financial audits and certifications of continuing program compliance (CCPC's).
- Owner and management cooperation with reporting and communication.
- Need or outcome for a community evaluation within the last year.

Readiness to Proceed

- Site Control and Zoning
 - Site Control:** The Applicant must have and submit evidence verifying control of the land and other real property necessary for the Project by the Request deadline.

Acceptable evidence of site control is a document evidencing legal site control with a complete and accurate legal description of the property. The documentation must be valid. The following are examples of acceptable evidence for these purposes:

- recorded deed or conveyance showing the Applicant has ownership,
- purchase and sale agreement,
- option to purchase, or
- option for a long-term lease with a duration satisfactory to OHCS

OHCS may accept other evidence at its sole discretion.

Applicants must either ensure the name on the evidence of site control and the name on the Application are exactly the same or, when purchasing or leasing through a nominee, clearly explain and document how the Applicant controls the entity that controls the site.

The site control document also must identify the exact same area as the Project site listed in the Application and the exact same cost for the land and/or existing buildings for the Project referenced in the Application's development budget. If either is not exactly the same, the Applicant must provide a narrative description and supporting documentation adequately explaining the variation.

If your Project will be phased, the tax lots must already be parceled by submission of the Impact Assessment application of the ORCA.

Zoning: The Project Request must include the Certification of Zoning executed by the appropriate zoning authority indicating the real estate is properly zoned for the type of intended Project.

Additional Federal Project Resources Status

Requests must provide evidence that an application for any federal resources identified (rental or capital) has been submitted and remains active.

Adequacy of Development Schedule

Request must include a development schedule clearly demonstrating that the Project will meet all required ORCA time frames.

Adequacy of the Environmental Checklist

The Applicant must submit a completed Environmental Checklist. The Environmental Checklist must include all of the following information:

- the suitability of the site,
- the distances to services,
- transportation and schools,
- the nature of existing structures,
- soil suitability,
- environmental hazards,
- safety concerns,
- noise problems,
- air quality issues,
- historic preservation,
- flood plain and wetlands issues, and
- solid waste, wastewater and storm water concerns.

The Applicant must provide a satisfactory mitigation plan for any material adverse information revealed in the Environmental Checklist.

Project Feasibility and Viability

OHCS evaluates all Projects for financial feasibility and viability, adequacy of construction, developer capacity and ownership integrity. The following Guidelines provide guidance for OHCS staff and Applicants in preparing and reviewing relevant information.

Financial Feasibility

- Sources and Uses Statement

The Applicant must submit the Sources and Uses statement and a completed proforma with its Request or as otherwise required by OHCS. The Sources and Uses statement must describe all sources to be used to pay for all uses. The statement must identify each separate source and use and the estimated timing of final approval for each. The sources and uses must balance fully and no source may be unknown. OHCS may remove a request if any sources or uses are identified as unknown at the time of review.

There are several critical factors and standards that all Projects' sources and uses must adhere to. Failure to adhere to these factors and standards may result in removal of the Project from consideration for funding until the deficiency can be further addressed or a waiver is provided by OHCS staff, at its discretion. These factors and standards requirements are listed below in Table A.

Table A: Sources and Uses Requirements

Construction Inflation Factor / Cost Escalator (applies to separate line item above and beyond construction bid)	The percentage of total construction cost not to exceed the Consumer Price Index as calculated by the Department of Administrative Services for the
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	year in which the Financial Eligibility application proforma is submitted.
Soft Costs Inflation Factor / Cost Escalator	5% Soft Cost Contingency
Contractor Profit and Overhead – Non-Identity of Interest (does not include general conditions)	14% of total construction cost or less
Contractor Profit and Overhead – Identity of Interest (does not include general conditions)	10% of total construction cost or less
Soft Costs	30% of Total Project Cost or less
Operating Reserve	Limited to six (6) months of operating expenses + debt service
Lease Up Reserve	Submit cash flow analysis utilized to determine the amount
Reserve for Replacement (Capitalized)	Submit evidence of the partner lenders and/or investors to document requirement
Consultant Contract	Submit a copy of each consultant contract that itemizes the services to be performed by each consultant and the amount of the consultant fee for each service or group of services.

- **Operating Pro Forma**

The Applicant must submit an operating pro forma for the Project satisfactory to OHCS at each step of the ORCA (Impact Assessment, Financial Eligibility, and Commitment). Each pro forma must demonstrate the financial feasibility and viability of the Project for a typical thirty (30) year permanent loan period, with more rigor and strictures placed on each pro forma received, with the pro forma submitted at the Commitment step of the ORCA being the final pro forma on which resources will be awarded.

Different Programs may have different compliance periods and OHCS may require that the operating pro forma address relevant compliance periods as resources are recommended after initial Impact Assessment Application. In addition, the Applicant must demonstrate that the Project will continue to be economically feasible and have adequate replacement reserves for at least the first thirty years or as approved by OHCS.

Absent a long-term commitment (in excess of 10 years), Projects with rental assistance must demonstrate financial feasibility excluding the rent subsidy.

If the Project includes commercial and/or other non-residential space, Applicant(s) must submit the following additional information and supporting documentation with both their

Financial Eligibility pro forma and their pro forma submitted at the Commitment step in addition to the residential pro forma requested above:

- A breakdown of the total residential and commercial Project costs,
- A list of the financing sources for the commercial areas,
- Ownership entity and management agent of the commercial areas,
- A 30-year operating pro forma for both the residential and commercial areas
- A breakdown of total unrestricted/market rate units and rent restricted units in compliance with OAR 813.380 and OHCS minimum restricted unit requirement, and,
- Such other information as OHCS may require.

Every pro forma for each step in the ORCA process also must reflect the following:

- Either a vacancy ratio of not less than 5% - 7% or an explanation in the Financial Description for a different assumption.
- Annual growth assumptions for income of 2%.
- Annual growth assumptions for expenses of 3%.
- An expense ratio and expenses per units properly scaled to the size and scope of the improvements, the cost of local utilities and taxes and the makeup of tenant population served.
- Replacement reserves of \$450 per unit per year.
- Operating Reserves of six (6) months or less of operating expenses + debt service and/or lender's conditions.
- By the Financial Eligibility step in the ORCA process, construction costs must be supported with contractor prepared report aligned with Unifomat standards i.e. Construction Cost Estimate.

Debt Underwriting

Many Projects require hard amortizing debt as one of the sources of funds. If there is hard amortizing debt, the proposed debt service coverage and breakeven ratios must be in conformance with OHCS limits and industry norms noted previously. If there is no hard amortizing debt, then the pro forma must demonstrate a stable positive cash flow over 30 years.

3) DEVELOPMENT TEAM CAPACITY

Confirmation of the Development Team and Entity

Co-Developers identified in the Application must be confirmed in all references to the Development Team at every step of the ORCA process, including in the proformas.

Previous Experience

- The Applicant must demonstrate that the persons or organizations materially involved in the acquisition, construction, rehabilitation, development, or improvement of the Project have:
- Successfully completed a multi-family housing project of a comparable number of housing units, of similar complexity, and for a similar target population as the proposed Project;
- The necessary level of staffing and financial capacity to successfully manage development and operation of its current project portfolio including all current and pending projects and Applications;
- Successfully completed previous Projects with a similar Program allocation.

- If using a development consultant to show this capacity, the Applicant must also submit a copy of the executed contract detailing terms, conditions, and responsibilities, and
- Completed and met minimum expectations in the Development Team Capacity standards based evaluation criteria in the ORCA, as well as Prequalification standards around experience prior to applying.

Property Management Capacity

The Request must include a document detailing the experience level of the proposed property management firm that demonstrates it has successfully managed:

- A multi-family housing project of a comparable number of housing units and/or of a similar complexity as the proposed Project; and
- An assisted or subsidized multi-family housing project with local, state, and/or federal operating requirements comparable to those of the requested Program.

An owner must submit a proposed new agent plan and qualifications to OHCS Asset Management & Compliance at least 60 days prior to any change. OHCS will approve, conditionally approve, or disapprove the proposed agent.

Management agents and/or Owners responsible for LIHTC compliance must attend LIHTC training and receive a certification from a nationally recognized LIHTC compliance trainer.

Financial Capacity

Applicant's financial condition must not contain any adverse conditions that might materially impair its ability to perform its financial obligations as sponsor.

4) Ownership Integrity

In order to qualify for funding, neither Applicant nor any member or principal within the Project ownership or management groups may meet any of the following criteria:

- Is currently under investigation for, indicted for or have been convicted of fraud or moral turpitude within the previous ten years;
- Is or has been involved in a bankruptcy proceeding within the previous five years;
- Has been debarred or otherwise sanctioned by Agency or any other federal program, or
- Has outstanding charges owed to OHCS from previous applications or Projects.

Applicants must attest to compliance with this requirement through the Prequalification process to be eligible to apply for the ORCA.

ADMINISTRATIVE GUIDELINES

1) CONDITIONAL COMMITMENT / COMMITMENT LETTERS

Failure to satisfy any conditions in the Comfort Letter, OHCS Letter of Intent, or Reservation and Conditions Letter may result in the revocation of the Funding commitment and the exercise of other available remedies.

2) INAPPROPRIATE USE OF RESOURCES

Utilization of resources outside of approved parameters may result in funding recapture, breach of contract and or any and all other remedies as available to OHCS.

3) LEASEHOLD INTERESTS

If the Applicant proposes a lease instead of fee ownership for any part of the Project, then the Owner of the land and holders of any liens or encumbrances must subordinate their interests to the Affordability Agreements.

4) USE OF OHCS LEGAL DOCUMENTS

Applicant must execute and (if requested) record all documents required by OHCS.

OHCS will not accept changes to the template language or side letters unless OHCS is satisfied that it is necessary for the Project to move forward and receives approval from the Department of Justice (DOJ). Applicants must allow adequate time for OHCS and DOJ to review. No entity or their representatives (borrowers, partners, or attorneys) should contact DOJ directly. Applicant is responsible for all legal and administrative costs to complete and negotiate required documents.

5) PROGRAM CHARGES

- Document preparation and recording; \$79.
 - Applies to document preparation and recording outside of initial project financing; would include things such as ownership transfers.
- Utility Consumption Modeling; \$100 plus \$3/unit.
 - Applies to Utility Consumption Modeling used when standard models are not adopted.
- Packet Review; \$300 per review.
 - Applies to packet reviews outside of initial project financing; would include things such as Property Management packet updates.
- ORCA Application; the lesser of \$2,500 or 0.5% of the total funds requested (not to exceed a total of \$5,000 when paired with 4% LIHTC).
 - Charge for the submission of a complete Impact Assessment application. Charges are superseded by 9% LIHTC application charges if applicable.
- ORCA Reservation – Grant; 1% of reservation amount (except when paired with 9% LIHTC)
 - Reservation of resources issued as grants; often this is GHAP or HDGP. (Note exception for layering with 9% LIHTC)
- ORCA Reservation – Loan; 1.5% of reservation amount (except when paired with 9% LIHTC)
 - Reservation of resources issued as loans; often these are LIFT and HOME. (Note: exception for layering with 9% LIHTC)
- Monitoring (Non- LIHTC Units); \$25/unit
 - Applies to all funded, non tax credit, units. Historically funded projects are to be phased in. Does not apply to units funded with HOME only. Monitoring charges are not stacked. If unit funded by more than one source, the largest eligible monitoring charge will be used.
- 4% LIHTC Application; \$5,000 per application
 - Charge for the submission of a 4% LIHTC application. Stacks with other application charges, not to exceed a total of \$5,000.

- 9% LIHTC Application; \$3,500 per application
 - Charge for the submission of a 9% LIHTC application. Supersedes other application charges, if applicable.
- 9% LIHTC Reservation; 9.5% of annual allocation
 - Charge for the reservation of 9% LIHTCs to a project.
- Monitoring (LIHTC Units); \$40/unit in first 15 years of service, \$30/unit after 15 years of service
 - Charge for the monitoring of tax credit units. Monitoring charges are not stacked. If unit funded by more than one source, the largest eligible monitoring charge will be used.
- Conduit Issuance Charge; 1.5% of reservation amount (max of \$150,000).
 - Charge for OHCS issuing the Conduit Bonds.

6) PROJECT DISQUALIFICATION / CANCELLATION

In addition to other available remedies, OHCS may disqualify a Project and Application, cancel any conditional commitment or allocation of resources, and recoup any allocated or otherwise disbursed resources if the Applicant or Owner, or any of their agents, fails to meet any of the following criteria:

Comply with the requirements and policies of OHCS, including those outlined in this Manual,
 Comply with the terms, conditions, obligations, and restrictions in the ORCA, the Application, the
 Reservation Letter, or other legal documents for the Project, or
 Timely satisfy any or all Project or ORCA requirements.

7) PROJECT /APPLICATION DENIAL

OHCS may reject a Request where the Applicant, Owner, Principal, or other Participant with respect to the proposed Project, previously has:

- Failed to complete projects in accordance with requests or certified plans presented to OHCS or other public or private allocating agencies.
- Failed to complete a project within the time schedule required or budget indicated in the request.
- Failed to effectively utilize previously allocated program funds and notified of such failure to meet appropriate utilization in advance of ORCA application submittal.
- Been found to be in non-compliance with program rules as evidenced by OHCS or other public or private allocating agency project monitoring and missed the cure time deadline given in writing.
- Been debarred by OHCS or other state, federal or local governmental agency.
- Is currently under investigation or has been convicted within the last ten (10) years of criminal fraud, misrepresentation, misuse of funds, or moral turpitude or currently is indicted for such an offense.
- Been subject to a bankruptcy proceeding within the last five (5) years.
- Otherwise displayed an unwillingness or inability to comply with OHCS requirements.

OHCS may disapprove any Application if, in its judgment, the proposed Project is not consistent with the goals of providing decent, safe and sanitary housing for low-income persons. OHCS may impose additional conditions on Project sponsors for any Project as part of the Application, review, evaluation, or allocation processes.

8) OHCS SOLE DISCRETION

OHCS may determine, in its sole discretion, whether the third-party letters of interest or intent, award, conditional commitment letters, or commitment letters are satisfactory, and whether a lender or investor possesses the financial or other capacity to make a specific loan or investment. A change in the Project's financing structure or financing terms after conditional commitment of OHCS funds must be brought to the attention of OHCS. OHCS may in its sole discretion re-underwrite the Project, which may result in all or a part of OHCS resources being reduced by or returned to OHCS.

9) NO REPRESENTATION OR WARRANTY

Issuance of an OHCS funding resource conditional commitment shall not constitute or be construed as a representation or warranty as to the feasibility or viability of the Project, or the Project's ongoing capacity for success, or any conclusions with respect to any matter of federal or state law. All OHCS resources are subject to various state and federal regulations governing the specific program from which they are obtained, and Applicants are responsible for the determination of their Project's eligibility and compliance consistent with all Project Requirements.

10) DECISIONS AND REVIEWS

Conditional commitments, commitments, allocations, or awards (collectively, Determinations) subject to State Housing Stability Council review under ORS 456.561 are contingent, among other things, upon Council approval of those Determinations or supporting funding and OHCS receipt of funding from funding partners (including State and federal sources). The Council may approve, reject, modify, or further condition funding awards submitted for its review, thereby directly or indirectly impacting OHCS Determinations.