HOUSING DEVELOPMENT GRANT PROGRAM
HDGP Program Manual

Effective as of July 1, 2016

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HOUSING DEVELOPMENT GRANT PROGRAM

Introduction

The Housing Development Grant Program (HDGP) was created by the 2009 Legislature to expand the State's supply of housing for low and very low-income families and individuals. By rule HDGP is designed to provide grants and loans to construct new housing, to acquire and/or rehabilitate existing structures, or to operate housing for low or very-low income households. Funding comes from the Document Recording Fee collected by county clerks.

HDGP may be awarded by contract, grant, loan or otherwise as the Department determines necessary or appropriate.

Eligible Applicants

Eligible Applicants include for-profit businesses, local government entities, housing authorities, nonprofit agencies, nonprofit corporations, and private individuals or corporations, including:

- A nonprofit corporation established under ORS chapter 65;
- A housing authority established under ORS 456.055 to 456.235;
- A local government as defined in ORS 197.015;
- A manufactured dwelling park cooperative as established under ORS 62.800 to 62.815;
- A for-profit entity;
- A Native-American tribe; or
- An individual.

Eligible Beneficiaries

HDGP is targeted for low and very-low income households, including families and single individuals.

A low-income household is a household that receives more than 50 percent and not more than 80 percent of the median family income for the area, subject to the adjustment for areas with unusually high or low incomes or housing costs, all as determined by the State Housing Council according to information from the U.S. Department of Housing and Urban Development (HUD).

A very low-income household is a household that receives 50 percent or less of the median family income for the area, subject to adjustment for areas with unusually high or low incomes or housing costs, all as determined by the State Housing Council according to information from HUD.

Eligible Activities

Eligible activities for HDGP funding include the following:
- Construct new housing, to acquire and/or rehabilitate existing structures of low and very low-income housing units.
- Engineering or feasibility studies, appraisals, architectural plans, site acquisition, or other necessary professional services.

When HDGP funds are made available, through a Notice of Funding Availability (NOFA), the intended use of the funds will be clearly stipulated as to whether or not either or both purposes are valid.

**Application Requirements**

HDGP Applicants will be evaluated on the following requirements as well as the items listed on the application checklist.

- Projects that demonstrate a strong probability of serving the target group or income level for the longest period of time, with a minimum affordability period set by the department policy.
- Awards will be made in the form of grants or loans.
- Projects must, at a minimum, have a proportionate number of units by project cost or cost per unit, designated as HDGP units. (Example, a $3,136,000 project with 40 units requesting $100,000 in resources should have a minimum of 2 affordable units. $100,000 ÷ $3,136,000 = .0319 x 40 units = 1.27 units, rounded up for a minimum of 2 units; and/or a project with a cost per unit of $80,000 requesting $100,000 in resources would need a minimum of 2 units designated as HDGP. $100,000 - $80,000 = $20,000 remaining to pay for cost of a second unit).
- For projects involving a mix of market rate units and affordable units, the percentage of HDGP funds cannot exceed the percentage of low and very low income units within the project. (Example: If 20% of the units within a project will be affordable to persons with income at or below 80% of median, then no more than 20% of the total project cost may be requested from HDGP).
- HDGP funds can only be used for project related costs incurred no more than six months prior to the original application. Only project related costs will be considered. Costs resulting from holding the land (i.e., annual property taxes, mowing and other maintenance) are not eligible.
- Applicants may draw up to 50% of HDGP grant/loan award prior to completion of all Conditions of Reservation, subject to written pre-approval by the Loan Officer. A recorded Grant Agreement, Declaration of Restrictive Covenants, must be in force, or the unrecorded document must be signed and held in escrow before funds can be released.

**HDGP Grants**

A project assisted with HDGP funds must remain affordable to Low and Very Low Income residents at the term of affordability. Continued compliance with funding terms and conditions for all applicable periods, including but not limited to:
- Continued use of the project for the targeted tenant group;
- Continued compliance with applicable affordability, reporting and monitoring requirements;
• Continued maintenance of the project in a safe and sanitary condition; and
• Continued provision of supportive services

HDGP Permanent Loans

The Applicant can request HDGP funds as a loan and the Department will make every effort to fulfill that request. The following loan terms apply:
• Maximum loan term is 30 years.
• HDGP Interest rate shall be equal to the interest paid on U. S. Treasury long-term obligation in effect at the time the loan documents are created. The rate will be equal to the interest rate of the Treasury obligation closest to the term of the loan, but will not be greater than the Treasury rate.
• Resources awarded as a permanent loan will require the execution of a Loan Agreement and Promissory Note and the execution and recording of a Trust Deed and Regulatory Agreement and Declaration of Restrictive Covenants.
• Loans must be included as debt on the Expense Statement of the operating budget.

HDGP Capital loans

• Maximum loan of $500,000 for long term project financing non-LIHTC projects.
• Recourse is on a case by case basis for each project.
• May be used in conjunction with other Department resources.
• All HDGP loans will be subject to a one time, up front, 1.5% loan charge.

Conditions, Limitations Relating to Funding

Required to follow conditions as described in OAR 813-055-0065, including but not limited to:
• Availability of funds and authority to disburse
• Execution and recording of all funding documents
• Performance of all conditions precedent to funding
• Continued maintenance

USE OF OHCS’S LEGAL DOCUMENTS

Applicant must execute and (if requested) record all documents required by OHCS (in form and substance satisfactory to OHCS), including but not limited to the Regulatory Agreement, binding the ownership entity and the Project to comply with Program Requirements.
Most required documents have been approved in template form by the Oregon Department of Justice (DOJ). No changes to the template language will be accepted. In addition, no side letters will be accepted.

OHCS will only consider project specific changes when it can be demonstrated that they are necessary for the project to move forward. Any proposed changes must be submitted in writing to OHCS staff. Any changes are subject to OHCS’s sole discretion. Applicants must allow adequate time for review and
comment by OHCS. All changes must be expressly approved by OHCS, in consultation with DOJ, prior to execution and recording. No entity or their representatives (borrowers, partners, or attorneys) should contact the DOJ directly. Applicant is responsible for legal and administrative costs incurred by OHCS in negotiating Applicant’s proposed changes to documents.

References
The State Statutes that address the General Housing Account Program are located at:
Stats. Implemented: ORS 456.515 to 456.725, 458.665,
The Administrative Rules that address the General Housing Account Program are located at:
OAR 813-055-0001 to 813-055-0095