Local Innovative Fast Track Program (LIFT)

OREGON HOUSING and COMMUNITY SERVICES

Homeownership Program Manual

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I. Overview

This Manual is adopted by reference in OAR 813-135-0025.

The Local Innovation and Fast Track (LIFT) Program is administered by Oregon Housing and Community Services (OHCS) and funded through the allocation of Article XI-Q general obligation bond proceeds. LIFT was established in statute in 2015 to expand the supply of affordable housing in Oregon for households with low incomes across the state and, in particular, historically underserved communities, including communities of color and Rural Communities.

LIFT supports the creation of new rental and homeownership projects. LIFT Homeownership funding can be used to support the construction of new affordable homes for purchase, and the conversion of existing nonresidential buildings into new affordable homes for purchase. This Manual describes the requirements and guidelines for LIFT Homeownership. It covers Program information and requirements throughout the cycle of the LIFT Program including the application process, underwriting and Loan Closing, the construction period, Project completion, and compliance throughout the duration of the LIFT Affordability Period.

A. Purpose of the Manual

The purpose of this Manual is to outline many of the requirements of LIFT Homeownership. OHCS strongly recommends that potential LIFT Applicants and their Development Team read the entirety of the Manual to understand the requirements of any Project prior to initiating an application for funding. Additional resources may be found on the OHCS website.

B. Approval and Effective Date of the Manual

This Manual shall be effective when it is adopted by reference into administrative rule. It shall remain in effect indefinitely, unless the rule adopting it by reference is amended or repealed. Upon adoption of the Manual into administrative rule, the provisions of this Manual will apply to all Projects submitted for application January 1, 2025, or later.

C. Administration and Interpretation of the Manual

OHCS is authorized to interpret and administer the Manual. In addition, OHCS 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 Homeownership Division Technical Advisories.

D. Program Contact

LIFT Homeownership is managed by Oregon Housing and Community Services' Homeownership Division Any questions or comments regarding this Program or Manual should be directed to the Senior Homeownership Development Program Analyst via the following methods:

By email: HO.Development@hcs.oregon.gov

By phone: 503-986-2000

By Mail: Oregon Housing & Community Services

Attn: Homeownership Development

725 Summer St NE, Suite B | Salem, OR 97301

E. Statutes and Rules Relevant to LIFT

Many of the requirements for LIFT Homeownership come directly from Oregon Revised Statutes (ORSs) and Oregon Administrative Rules (OARs). The below statutes and rules pertain to OHCS, the LIFT Program, and Article XI-Q bonds.

- **ORS chapter 456** – Housing statutes, including Housing and Community Services Department definitions, administration, bonding, etc.
- **ORS 458.480 – 458.490** – LIFT statutes
- **OAR chapter 813** – Administrative rules for Housing and Community Services Programs (to the extent applicable)
- **OAR chapter 813, division 135** – LIFT Program administrative rules
- **ORS 286A.816 – 286A.826 and OAR 122-075-0100 – 122-075-0160** –Statutory framework and administrative rules related to the administration of Article XI-Q bonds

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

G. Waivers

If OHCS acts contrary to or fails to take action in accordance with the Manual or any other Program 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 Manual, 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 Manual, any other 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.

H. Remedies

OHCS may, among other actions, deny an Application, reject an Appliation, or terminate an Application or Project in process for a failure to comply with Program Requirements.

I. Charges

LIFT Applicants and Borrowers are responsible for payment of several charges during the cycle of the LIFT application, loan, and compliance monitoring period. Details of charges and their amounts are explained in the Applicable NOFA but, in general, include the following:

- Application charge due at submission of Application
- Recipient charge due after signing of the Reservation Letter
- Reservation charge due at closing of escrow
- Document preparation charge due at closing of escrow. The number of recorded documents may vary depending on the project.
- Pass-through DOJ charge typically due at closing of escrow
- Annual compliance monitoring charge due each year after the first Home in each Project has sold or 36 months after the Reservation Letter date, whichever is sooner.

Invoices for charges will be due and payable within 30 days of the invoice date. Invoices that are not paid within 90 days of the due date may be referred to Oregon Department of Revenue for collections. OHCS and DOJ charges are not eligible uses of LIFT funds and must be paid using another available funding source.

J. Fair Housing & Civil Rights Compliance

Applicants and Borrowers must:

- 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 appropriate access to resources.
- Comply with Equal Opportunity Employment standards in hiring and retaining personnel.
- Satisfy any population-specific or service standards as required in Program Requirements or as set forth in Project agreements.
- Display the Fair Housing name and/or logo when homes are marketed or promoted.

K. Acknowledgment of OHCS

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

II. General Program Information

A. Program Goals

The purpose of the LIFT Program is to expand the supply of affordable housing in Oregon for households with low incomes through the allocation of proceeds from Article XI-Q general obligation bonds. The LIFT Homeownership Program aims to quickly place affordable Homes in operation in historically underserved communities, including in communities of color and Rural Communities. Each NOFA may set forth additional program goals.

1. Engagement of Communities of Color

To meet the legislative intent of LIFT and to further OHCS's policy priorities around racial equity, all Projects must have a track record of, or plan for, engaging communities of color. Any approach must include intentional and meaningful engagement including, but not limited to, planning for the Project, marketing the Homes, and supporting Qualified Homeowners in buying and maintaining their Home.

Engagement with communities of color can be achieved in several ways and should be relevant to the community where the Project is located and any focus population anticipated to be served by the project. Outreach strategies might include such things as:

- An ongoing service partnership with a culturally specific or culturally responsive organization;
- Project building design influenced and informed by the community or communities the Project is serving;
- A Project explicitly designed and located to address displacement of communities of color; or
- Agreements with area service providers to engage in culturally appropriate services for residents.

Additionally, each Project is required to submit a relevant marketing and outreach plan designed to publicize the availability of new housing opportunities created by the Project. The plan should be accessible to communities of color in the Applicant's service area, address any barriers that communities of color might encounter in applying for and accessing housing, and identify ways to affirmatively further fair housing.[1]

2. Service to Rural Communities

LIFT prioritizes Rural Communities as areas historically underserved in housing production. As such, consideration to Rural Communities and rural developments will be provided in each NOFA.

B. General LIFT Requirements

LIFT Homeownership funding is made available through a Notice of Funding Availability (NOFA). Applicants must satisfy the requirements listed below to be eligible to apply and qualify for LIFT funds.

1. Article XI-Q General Obligation Bond Requirements

The LIFT Program is funded by the proceeds of general obligation bonds issued pursuant to Article XI-Q of the Oregon Constitution. The Agency Guide to Financing Capital Projects with Article XI-Q Bonds published by the Oregon Department of Administrative Services, lays out requirements for Article XI-Q bonds. For instance, OHCS must Operate or own the Qualified Property that it funds.

[1] For further information on affirmatively furthering fair housing, see Title VIII of the Civil Rights Act of 1968, 42 U.S.C. 3608 and Executive Order 12892.

2. Eligible Borrowers

LIFT Borrowers and all other entities that will have an ownership interest in the land during the Affordability Period must be Eligible Covenant Holders as defined in ORS 456.270(3).

3. Eligible Activities

LIFT Homeownership funding must be used to increase the number of net affordable Homes in Oregon. Eligible activities include new construction of affordable Homes for purchase or the conversion of existing non-residential structures to affordable Homes for purchase. Manufactured Homes qualify for LIFT funding as long as they are permanently affixed to a foundation.

4. Affordability Restrictions

Homes funded by LIFT must maintain affordability for households earning 80% of the Area Median Income or less (see definition of "Affordability Requirements"). The Affordability Period begins with the first Home sale and extends for a minimum period of 20 years after the sale of every Home in the Project. The LIFT loan will be due and payable in full at the completion of the maturity date set forth in the Loan Agreement. The LIFT Borrower may elect to satisfy the LIFT loan by extending the loan beyond the initial maturity date and maintaining an Affordability Period for another 20 years. Or, the borrower may elect to satisfy the LIFT loan by a combination of repayment and affordability as acceptable to OHCS.

Mixed-income Projects may be eligible for the LIFT Program, but the LIFT funds provided for such a Project must be used for costs associated with the Homes reserved solely for households at or below 80% AMI.

5. Shared Equity Models

To be eligible for LIFT Homeownership funds, Developers must use a shared equity model in which an Eligible Covenant Holder maintains ownership of the land and Qualified Homeowners purchase the individual Homes. Developers must show that they have the infrastructure or partnerships in place to steward LIFT-built homes throughout the Affordability Period.

Examples of common shared equity models include:

- Community Land Trusts (CLTs)
- Leasehold Condos

Other eligible shared-equity models include but aren't limited to:

- Manufactured Dwelling Parks (owned cooperatively or by a nonprofit organization)
- Traditional and Limited Equity Cooperatives

6. LIFT Loan Terms

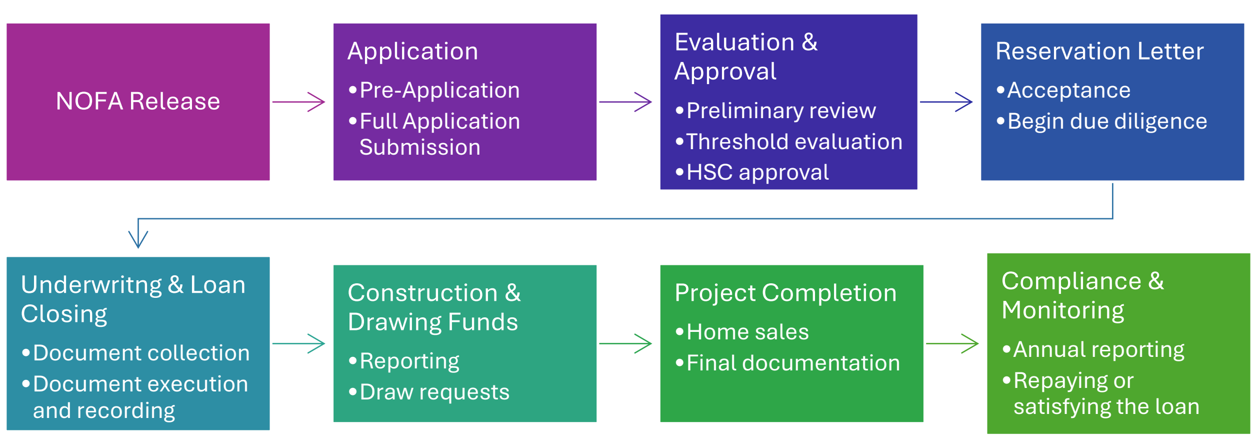
The LIFT loan must be secured by a first-lien deed of trust acceptable to OHCS and recorded against the fee interest in the Property. OHCS may secure a first lien deed of trust recorded against the Project Improvements as well. OHCS may share a first lien security interest with other lenders, subject to the execution of OHCS's Intercreditor Agreement and other documents necessary to establish the relative priority and rights of the parties.

LIFT funds are loaned at 0% interest with deferred payments throughout the Affordability Period. Loans are due and payable upon the maturity date set forth in the Loan Agreement. In lieu of repayment, LIFT loans can be satisfied by extending the maturity date and Affordability Period for an amount of time at least equal to the original Affordability Period (20 years) or by a combination of repayment and extended affordability as acceptable to OHCS.[2]

The Affordability Period, Borrower responsibilities, rights, remedies, and other information will be set forth in an Operating Agreement that encumbers the property. For all Projects, the Affordability Requirements begin on the date that any Home in the Project is first conveyed to a Qualified Homeowner and expire not sooner than 20 years after the sale of every Home in the Project. This ensures that all Homes in the Project experience the full Affordability Period.

C. LIFT Program Life Cycle

The following graphic shows a high-level overview of the stages of the LIFT Program from NOFA release to compliance and monitoring. The following sections lay out the Program Requirements for each stage of LIFT.



III. Application Requirements

A. LIFT Homeownership NOFA

When funding is available, OHCS will release a Notice of Funding Availability (NOFA) to the public and lay out a timeline and process for accepting applications. The NOFA reiterates requirements of the LIFT Program, describes the application process, and lays out any specific terms of the funding including subsidy amounts and set-asides.

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[2] See OAR 813-135-0040.

1. Per Home Subsidies

OHCS typically funds Projects based on the number of homes and bedroom count. LIFT Homeownership is intended to provide gap funding for the construction of for-sale Homes and offset the difference between the cost of construction and the Home sales price. Within the NOFA, OHCS will list the limits for per-Home subsidies amounts. The maximum amount of subsidy that a LIFT Homeownership Project can request is calculated using the lesser of the following:

- The maximum per-Home subsidy identified in the Applicable NOFA; or
- The amount of funding necessary to ensure the Project is financially viable. OHCS will verify this number considering the following items:
  - A detailed pro forma and thorough evidence of costs;
  - At least one other source of funds is committed or highly likely in addition to LIFT and sales proceeds;
  - Net profits including Developer fee do not exceed 10%; and
  - The LIFT funds, plus all other Project debt, do not exceed the anticipated value of the completed Project as determined by a relevant Appraisal (see appraisal requirements in section IV.B.1).
- Depending on funding availability each year, OHCS may also implement an additional per Project or per entity cap to ensure funding is available for more projects.

2. Funding Set-Asides

A NOFA may incorporate soft set-asides for available LIFT funds. The set-asides ensure that targeted or underserved Applicants or Projects are considered for funding. Set-asides will be reserved for a given time frame before being released to the broader pool of Applicants. Details of set-aside categories and timelines will be identified in the Applicable NOFA.

B. Evaluation of Applications

Applicants are evaluated based on the standards and criteria published in the Applicable NOFA. Applicants must demonstrate, or partner with a Developer who can demonstrate, sufficient experience and capacity to successfully complete the proposed Project on time and within budget. Additionally, Applicants must demonstrate that they have experience administering a community land trust or other applicable shared equity model or have partnered with an organization that has this type of experience. Funds will be awarded on a first-come, first-served basis to Applications that meet all required eligibility standards and minimum threshold requirements.

1. Preliminary Requirements

Minimum preliminary requirements include but are not limited to the following criteria:

- Application Completeness: The submitted Application is complete and contains all required documents;

- Timeliness: Applicants must demonstrate that the Project is ready to proceed, feasible for the intended use, and beneficial to the greater community and its intended Qualified Homeowners. At a minimum, Applicants will be asked to provide details or evidence of the following:
    - The Applicant has obtained and will maintain site control in the form of an undivided fee simple interest, an option to purchase dating beyond the anticipated LIFT closing timeline, or other documentation suitable, as determined in OHCS's sole discretion, to prove site control.
    - The site is suitable for the intended Homeowners, for the proposed Project, and able to comply with LIFT and Article XI-Q bond timelines.
    - The Project meets all timeliness requirements including evidence of appropriate zoning, site control, and a timeline that demonstrates the following:
        - Closing of the LIFT loan within 6 months of receiving the Reservation Letter;
        - Start of vertical construction within 12 months of receiving the Reservation Letter;
        - Completion of Home construction within 36 months of receiving the Reservation Letter; and
        - Sale of all homes within 42 months of receiving the Reservation Letter.
- Financial Viability: The Project meets minimum financial requirements including committed financing sources, a balanced pro forma, and profits, contingencies, and escalation amounts that meet the requirements defined later in this Manual.
- Applicant Integrity: To qualify for funding, neither the Applicant nor any member or entity within the Development Team may meet any of the following criteria:
    - Is under investigation for, has been indicted for, or has been convicted of fraud or an act of 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 a local, state, or federal agency, or
    - Has outstanding charges owed to OHCS from previous Applications or Projects.

If an Applicant cannot meet the preliminary requirements listed in the NOFA, the Applicant is not eligible for LIFT funding and the Application will be denied. If an Applicant passes the preliminary requirement review and there an availability of funds, the Application is moved to an evaluation of minimum thresholds.

2. Minimum Threshold Requirements

An Applicant must meet minimum threshold standards to OHCS's satisfaction in each of the following categories to be eligible for funding. Minimum threshold standards will include an evaluation of specific criteria within the following categories:

- Developer capacity demonstrating that the Borrower and Development Team can take on and successfully complete the Project within the required timeline;
- Developer experience shows that the Development Team has the expertise required to complete the Project;
- Efforts have been undertaken to engage with, reach out to, or otherwise include communities or populations underrepresented as homeowners;
- The Project is financially feasible and Applicant has made efforts to contain costs and mitigate risk (as detailed in section B3 below);
- The Project characteristics demonstrate that the development is intentionally designed to best meet the needs of its residents and the community;
- The Applicant has experience with the shared equity model chosen for this Project and has developed sufficient policies and processes to operate it.

A detailed scoring rubric that lists criteria under each category will be published with each NOFA.

3. Financial Requirements

Applicants must be financially sound and the Project must be financially viable. Applicants will be required to submit organizational financial statements showing cash position, debts and assets, and track record of financial health. Applicants must have plans in place to address cost overruns and may be required to provide evidence of risk mitigation measures such as a guarantee, performance bond, or certain amount of liquidity.

Applicants are required to submit a detailed pro forma that includes all financing sources, anticipated Home sale prices, and evidence of Project costs. Applicants must provide evidence of at least one additional funding source that covers costs that are not eligible for LIFT funds. Additionally, the pro forma must show sufficient funding in total and year-to-year during the construction period. The Application must show consideration of increasing costs, including allowable construction contingencies up to 5% of associated costs and escalation planning up to 10% of associated costs.

a) Developer/Borrower Maximum Profit

The combined Developer and Borrower profit may be no more than 10% of the final development costs, calculated as: (net profit including developer fees) divided by (total Project cost minus developer fees). Allowable profit will be verified upon completion of the Project in a final pro forma that shows actual Project costs.

b) General Contractor Maximum Fees

When the general contractor is a 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 general contractors will be limited to 14% of total rehabilitation/construction costs plus site work costs.

4. Documentation Requirements

OHCS will require the submission of documentation that enables OHCS to assess the Applicant, Project, financial requirements, and overall Project risk. Specific document requirements will be listed in the Applicable NOFA and may include, but are not limited to, Articles of Incorporation showing the legality of the entity, recent financial statements, Development Team biographies, commitment letters from lenders and other financing sources, memorandums of understanding with relevant stakeholders, and organizational bylaws.

At any point during the life of the LIFT Project, OHCS reserves the right to request additional documentation from Applicants or Borrowers to ensure Project feasibility and compliance with LIFT requirements.

C. Misrepresentation and Fraud

OHCS may disqualify an Applicant or Project, or cancel funding, if the Applicant, a co-Applicant, or a representative of an Applicant or co-Applicant makes a material misstatement, omission, or misrepresentation to OHCS; or 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.

Applicants must also disclose and describe to OHCS all Identities of Interest that exist with respect to the Applicant and the Project. Such disclosures shall be made when the Application is submitted and at any point at which an Identity of Interest is created after the Application has been submitted. Identities of Interest that are not disclosed may result in disqualification, a cancellation of funding, a breach of a resulting agreement, or other measures as determined by OHCS.

D. Application Denial

An Applicant may resubmit an updated version of a Project that was denied for preliminary or threshold review issues or for lack of available funds. OHCS reserves the right to deny any Application for any reason.

E. Application Approval

Successful Applications are brought to the Housing Stability Council (HSC) for approval. If HSC approves the Project, the Applicant will receive a Reservation Letter from OHCS stating the award amount and conditions of acceptance. The due diligence period to fulfill requirements for closing the LIFT loan begins the day an Applicant accepts the Reservation Letter.

IV. Underwriting & Loan Closing

To secure the funding reservation, conditions listed in this section must be completed prior to executing the loan documents between the Borrower and OHCS. Conditions will be detailed in an attachment to the Reservation Letter.

A. Requirements prior to the LIFT Loan Closing

Prior to the LIFT Loan Closing, the Borrower must submit documents that show that the Project meets all requirements to close on the LIFT loan and begin development. Such documentation includes, but is not limited to:

- Evidence of property ownership, clear title, and status of the Borrower and Development Team through documents such as property deeds, Secretary of State business registry, and title insurance.
- Evidence of compliance with other state and local agencies such as appropriate zoning, determination on prevailing wage requirements, and fair housing review.
- Evidence of environmental assurance including Department of State Lands wetlands review. The Borrower must provide a Phase I Environmental Study report that is dated within 12 months of the Applicable NOFA application submission date. If the study identifies an REC (Recognized Environmental Condition), OHCS may require follow up studies, a mitigation plan, revised pro forma, etc.
- Evidence of appropriate insurance as required in the Applicable NOFA. The policy(s) must be active on or before the date of executing the loan documents and remain active throughout the Affordability Period.

Borrowers are expected to meet closing conditions within six months of the Reservation Letter date. Projects that do not meet the six-month deadline may have their funding reservation rescinded or may be required to complete and resubmit new documents including, but not limited, to Phase 1 Environmental Study, appraisal, and other documents determined by OHCS to require updating.

B. Evidence of Continued Financial Viability

1. Appraisal

All Projects must be substantiated by an as-built appraisal made with the following considerations:

- Value must be determined considering the land and all future site work, structures, and other capital improvements.
- Calculations must consider any existing restrictions attached to the land or the use of the land (not including LIFT or other future restrictions).
- The appraisal must name OHCS as an intended user of the appraisal and grant permission to OHCS to discuss the report with its preparer.

Appraisals must show a value equal or greater than 100% of the total debt on the Project, including the LIFT loan, construction financing, and any other financing sources that may take a security interest in the Property.

2. Other Financial Details

LIFT Borrowers must submit all other documents required in the Reservation Letter to demonstrate continued financial solvency and viability of the Project prior to closing. A final pro forma must be provided with committed financing sources and updated expenses showing continued compliance with all requirements and restrictions listed in this Manual and the Applicable NOFA.

C. Loan Closing and Recording Documents

OHCS legal documents must be executed through a title company representative. Borrowers must open escrow with an appropriate title company and provide OHCS the necessary details to complete the Loan Closing. The LIFT Loan Closing must be completed simultaneously with any construction loans or similar funding sources.

If Borrowers are using LIFT funds to purchase the land, OHCS may include a disbursement of LIFT funds via escrow for this purpose. If the property includes any other debts related to development of the Project, such as a preconstruction loan, including a loan under the Land Acquisition Program, those loans must be paid off during escrow or subordinated to the LIFT loan.

V. Construction Requirements and Drawing Funds

A. Construction Standards

Developments must follow all applicable state and local requirements. Applicants must obtain the required building permits prior to commencing construction, and certificates of occupancy must be obtained for all Homes at Project completion. Project partners and/or stakeholders other than OHCS may have their own Project requirements. Borrower and the Development Team must satisfy all Project requirements from all Project stakeholders.

Unless OHCS approves an exception, Homes must meet or exceed minimum floor area requirements and include proportional and appropriate sizes for each room and living space.

Home Type	Minimum Floor Area (Sq. Ft.)
Studio	350
1 Bedroom	600
2 Bedroom	800
3 Bedroom	1,000
4 Bedroom	1,250

LIFT construction requirements are intended to encourage innovation and allow for all types of new construction. Traditional and alternative methods of new construction are allowed. Innovative and cost-saving construction that serves low-income populations is encouraged. Construction that balances the initial cost of building with ongoing costs of the Homeowner (e.g., energy standards, low-maintenance lawns, and other factors) is recommended.

At minimum, all Homes must be built to 30-year building standards and adhere to applicable portions of OHCS's Core-Development Manual (CDM), which is available on the OHCS website.

Evidence that the Project's General Contractor is currently licensed with the State of Oregon Contractor's Certification Board (CCB) in good standing is also required.

B. Development Timeline

OHCS requires that Projects be planned and fully financed (except for OHCS funding) at the time of application and ready to proceed upon meeting all requirements in the Project Reservation Letter.

Homes must be ready for initial sale within 36 months of the date of the Reservation Letter. The Project's construction schedule submitted with the Application must support the 36-month completion requirement. OHCS expects that the LIFT loan will close within six months of the Reservation Letter date. Vertical construction should begin within 12 months of the Reservation letter date, and Certificates of Occupancy are required within 36 months of the Reservation Letter date with a potential six-month grace period to complete the sale of all the LIFT-funded homes in the Project.

C. Recorded Ground Lease

LIFT Borrowers are required to submit a copy of the recorded Master Lease and other documents relevant to the Project's shared equity model. The Master Lease must be recorded in the county where the Project is located prior to selling the first Home.

D. Reporting Requirements

1. Quarterly Progress Reporting

Borrowers must complete and submit progress reports detailing updates and overall status of the Project. Reporting requirements begin once the Reservation Letter is executed and continue until all Homes have sold and all completion conditions (listed in Section VI-B) have been met.

2. Ongoing Reporting and Documentation

Borrowers must provide documentation showing the continued success of the Project and solvency of the Project and organization. Applicable documents may include, but are not limited to, annual tax returns, certificates of insurance, certificates of occupancy, household income verification, and certificates of ongoing compliance.

3. Notification Requirements for Problems or Changes

LIFT Borrowers must promptly notify OHCS of changes to the Project that may affect a Borrower's ability to comply with the Program Requirements. This includes, but is not limited to, changes in the Project's development schedule, number of LIFT-funded Homes in the Project, design characteristics (e.g., bedroom/bath count, square feet, construction type), staff, funding, substantial changes in Project costs, Master Lease terms, etc. OHCS reserves the right to approve or reject proposed changes, and changes made without notification and consent of OHCS may result in revocation of OHCS funds.

Any changes to the property's legal description after the Loan Closing will require an amendment to the LIFT regulatory documents and recording thereof. Changes in the property's legal description can cause delays on the sale of the newly built Homes if not addressed promptly.

Borrowers may notify OHCS of any problems, delays, or changes through quarterly reports or via direct notice to relevant HOD staff.

4. MWESB/VBE Engagement

Minority, Women-Owned, Emerging Small Business, and Service-Disabled Veteran Business Enterprises (MWESB/SDVBE) 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/SDVBE-certified or -eligible contractors/subcontractors in the construction and operation of the proposed Project.

All Projects that receive LIFT funds must adhere to OHCS' Equity in Contracting Compliance manual, available on the OHCS website. Borrowers must submit an initial report after closing the LIFT loan and final report once all Homes have sold and all completion conditions (Section VI.B.) have been met.

E. Draw Requests

Borrowers may begin drawing on the LIFT award at or after closing. All LIFT funds should be disbursed or requested for disbursement within 36 months of the Reservation Letter date. LIFT funds may be used in escrow at the time of LIFT Loan Closing to pay off land acquisition or other eligible expenses incurred prior to financial close. After the LIFT loan documents are recorded, Borrowers will be limited to one draw request per month. The Borrower is not required to make a draw request each month.

All draw requests must be substantiated by relevant invoices, receipts, or other documentation demonstrating that the cost has been incurred and that the expenses are eligible for payment with LIFT funds.

1. Allowable Expenses

State-issued Article XI-Q bonds that are allocated for LIFT Homeownership Development must be used for costs that can be capitalized, like land acquisition, site development, and construction for affordable housing. LIFT Homeownership Development Projects will follow eligible costs in accordance with the Agency Guide to Financing Capital Projects with Article XI-Q Bonds available on the Department of Administrative Services website.

<u>Examples of allowable bond costs:</u>

- Land acquisition loan
- Site development and infrastructure

- Construction
- Construction loan interest and fees
- Consultant, engineering, surveys
- Architecture, design
- Development contractors and sub-contractors

Examples of unallowable bond costs:

- Related party (e.g., OHCS funds cannot be used to pay OHCS charges)
- Debt reduction (e.g., construction loan principal)
- Insurance, property taxes
- Title and escrow charges, recording fees
- Public infrastructure (e.g., public sidewalks and curbs that are not on the Project site)
- Moving or relocation
- Pollution remediation
- Rent (e.g., temporary office space for employees)
- Operating costs (e.g., office supplies, training, meals, postage, printing, etc.)
- Indirect or administrative expenses (e.g., operating and replacement reserves, staff payroll, etc.)
- Certain direct labor costs if the borrower is serving as their own General Contractor

VI. Project Completion and Ongoing Compliance

A. Home Sales

Borrowers must submit documentation showing that completed Homes and Qualified Homeowners meet Program Requirements. Such documentation includes, but is not limited to:

- Certificates of occupancy for each Home, due within 30 days of their issue date.
- Income certification forms and demographic data for each Qualified Homeowner, due within 30 days of sale. Income certification for Qualified Homeowners may be verified at the time of the Home purchase date or no more than one year prior to that date. Area Median Income must at or below 80%, adjusted by family size, as determined by OHCS based upon information from the U.S. Department of Housing and Urban Development ("HUD"). Income certification is required for all subsequent homebuyers.
- Qualified Homeowners shall have the opportunity to provide their demographic data to the Borrower, but the Borrower must inform Qualified Homeowners that providing such data is optional.

B. Completion Conditions

For a Project to be considered complete, OHCS requires documentation to indicate that the homes are ready for sale and a summary of the final Project's characteristics and costs. Required documentation includes but may not be limited to photos of the front exterior of each completed

Home, final subdivision maps, and final verification of each Home's size, bed and bath count, materials, and utilities.

Applicants must also submit a final pro forma including actual financing sources and sales proceeds, debt repayment, and final Project costs. The final pro forma must comply with all profit requirements, and the Developer/Borrower profit percentage must be no higher than the amount proposed and approved in the Application.

Lastly, OHCS may require written statements on the implementation of outreach to communities of color for homeownership opportunities and vendor services. Additionally, OHCS collects equity in contracting data through a final report.

OHCS reserves the right to request reimbursement for undue or unallowable profit.

C. Compliance & Monitoring

1. Annual Monitoring and Reporting

Annual compliance monitoring begins for each Project at the beginning of the calendar year following the first Home sale. As part of this process, Borrowers must submit the following:

- A Certificate of Continuing Program Compliance, due at the beginning of each calendar year. The certificate verifies that Homes are sold and resold only to Qualified Homeowners, and demonstrates compliance with property maintenance and repairs, insurance, defaults, financial statements, and other requirements.
- Annual monitoring charges will be assessed and invoiced to each Borrower entity. As of the date of this Manual, charges are assessed at $25 per Home per year.

2. Home Sales and Subsequent Purchases

When a Qualified Homeowner sells their Home and a new Qualified Homeowner purchases it, the entity subject to the LIFT Operating Agreement must notify OHCS of the sale. This must happen within 30 days of a LIFT Home being sold to a new Qualified Homeowner. The Borrower must submit income verification documents showing that the new Qualified Homeowner is earning at or below 80% AMI and provide any other necessary documents for the Home sale.

In the case that a Home is transferred to a new owner through inheritance, Applicants must submit all required documentation to OHCS as though it were a Home sale. The new homeowner must occupy the Home as their primary residence, but OHCS defers to the Borrower's policies stated in the ground lease on Home inheritance and income eligibility.

3. Restrictive Covenants

Throughout the Affordability Period, the Affordability Requirements and other covenants stated in the LIFT agreements are covenants that run with the property and will pass to and be binding on Borrower's successor in title as provided in the LIFT agreements.

4. Renewed Affordability Period

The LIFT loan will be due and payable in full on the LIFT loan maturity date. As provided by OAR 813-135-0040, the Borrower may elect to satisfy the LIFT loan by extending affordability for another 20 years, or by combining loan repayment and affordability extension in a manner that is approved by OHCS.

VII. Definitions

Capitalized terms used in this Manual have the meanings provided below or in applicable statutes or rules, unless the context clearly requires otherwise.

Affordability Period – The period of time during which the Affordability Requirements apply. The Affordability Period begins on the date that any Home in the Project is first conveyed to a Qualified Homeowner and expires no sooner than 20 years after the sale of every Home in the Project. If the Borrower chooses to satisfy the LIFT Homeownership loan by extending affordability, rather than by repayment of the LIFT loan, affordability must be maintained for an additional 20 years beyond the initial 20 years of affordability. OHCS may, at its sole discretion, extend the Affordability Period for periods of time matching corresponding periods of time during the Affordability Period for which OHCS determines Borrower to be in material noncompliance with any of the terms of the Operating Agreement.

Affordability Requirements – A Borrower may enter into a land lease only with a Qualified Homeowner, and the lease payment that the Qualified Homeowner is required to pay, when combined with any mortgage payment owed by such Qualified Homeowner for the Home, may not exceed what is considered affordable, as determined by the U.S. Department of Housing and Urban Development on an annual basis, to a household with an income of 80% of the Area Median Income. The Affordability Requirements apply for the duration of the Affordability Period.

Applicable Notice of Funding Availability (NOFA) – The Notice of Funding Availability that applies to the year the Application is submitted.

Applicant – A person or entity that applies for LIFT Housing Program funds by completing an Application provided by OHCS.

Application - All forms, information, and exhibits that an Applicant must submit in a request for LIFT Homeownership funds for a Project.

Area Median Income (AMI) – The median income for the county in which the Project is located, adjusted for family size, as determined by the Housing and Community Services Department using U.S. Department of Housing and Urban Development information.

Borrower – The entity to which LIFT funds are issued upon satisfaction of all conditions of the Reservation Letter. The Borrower is responsible for ensuring that all Program Requirements are fulfilled.

Contingency - A set aside of funds to be used for construction or development conditions that are not certain to occur. OHCS sets a maximum allowable Contingency amount when determining the LIFT award amount.

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

Development Team - All persons and organizations materially involved in the acquisition, construction, rehabilitation, development, or improvement of the Project, including but not limited to the Applicant/Borrower, Developer, project management consultant, and general contractor.

Eligible Covenant Holder – Defined in ORS 456.270(3). Applicants and Borrowers must be Eligible Covenant Holders.

Home – A dwelling constructed as part of a Project that receives LIFT Homeownership funds that will be sold to a Qualified Homeowner.

Identity of Interest - A financial, familial, or business relationship that permits less than arm's length transactions. Examples of relationships in which an Identity of Interest may be present include, but are not limited to: 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.

Local Innovation and Fast-Track Housing Program (LIFT, LIFT Program, or **LIFT Housing Program) –** The Program established by ORS 458.480 – 458.490 and implemented by OHCS.

LIFT Homeownership – The part of the LIFT Program that is administered by the Homeownership Division and that provides funds to construct Homes for purchase.

Loan Closing - The stage in the funding process when applicable conditions of the Reservation Letter are satisfied and all relevant legal documents are executed, meaning that the borrower is legally obligated to the terms of the agreement. The borrower can begin drawing LIFT funds.

Manual - The LIFT Homeownership Manual (this document).

Notice of Funding Availability (NOFA) – The document that announces LIFT Homeownership funding availability and describes the requirements to apply for that funding.

Homeownership Division (HOD) - The section of Oregon Housing and Community Services (OHCS) that is responsible for the funding and administration of the LIFT Homeownership Program and other homeownership-related programs.

Operate - Having sufficient direct or indirect control of Qualified Property that reasonably enables the Housing and Community Services Department, in its determination, to ensure the Qualified Property's use for the purpose of providing affordable housing under the LIFT Housing Program established in ORS 458.485.

Operating Agreement – An agreement between OHCS and the Borrower that imposes affordability covenants on the land that is part of the Project, and in which the proposed Project owner agrees, among other things, to construct and maintain the Project and comply with Program Requirements.

Program(s) - A specific source of state or federal funds that provides a methodology to award those funds for the development of affordable housing Projects.

Program Requirements - Collectively, all of the following, including as may be amended from time to time: all performance requirements, restrictive covenants, warranties, liabilities, operational standards, and other obligations of the Borrower arising under the terms and conditions of the LIFT Program, including applicable provisions of Article XI-Q of the Oregon Constitution, the LIFT agreements, the Affordability Requirements, OHCS' administrative rules, applicable OHCS manuals, applicable OHCS orders and directives, and other applicable federal, state, and local laws, ordinances, codes, rules, and regulations.

Project - A low-income homeownership development for which funding, in whole or in part, is sought from or obtained from OHCS. A Project may include land, one or more Homes, other buildings, and any associated common areas. A Project may be located on a single site or on scattered sites.

Qualified Homeowner - A homeowner whose income, at the date of the Home purchase or no more than one year prior to that date, is at or below 80% Area Median Income, adjusted by family size, as determined by OHCS based upon information from the U.S. Department of Housing and Urban Development.

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.

Reservation Letter – A letter to the Borrower that sets forth the award amount and conditions of acceptance. The Borrower must sign and return the letter to OHCS to accept the conditional award.

Rural Communities – OHCS defines Rural Communities through a process evaluating housing density, data from the National Center for Health Statistics, and distance to the nearest metropolitan area. Applicants should use the OHCS Rural or Urban Status Map to identify if they are in an eligible Rural census tract.