

**HOMEOWNERSHIP MARKET COST OFFSET FUND (HMCOF):
FUNDING ASSISTANCE FOR LIFT HOMEOWNERSHIP PROJECT CONSTRUCTION COST
INCREASES AND STABILIZATION**

Oregon Housing and Community Services (OHCS) Homeownership Market Cost Offset Fund (HMCOF) was established to supplement funding gaps created by unanticipated market conditions that affected labor, material, and supply costs resulting in increased hard construction costs for developments awarded LIFT fund reservations.

FUNDING GAP ASSISTANCE

The fund will support LIFT Homeownership projects facing a funding gap specifically due to increases in hard construction costs. OHCS will only consider requests from projects awarded a reservation of funds during the 2019, 2020, and 2021 NOFA cycles. The funding will be made available to all eligible LIFT projects that submit a complete request and required documentation as further described below.

HMCOF resources cannot be used to pay for change orders resulting from changes in increased project scope, to pay for developer fees above 7% of total project costs, or other costs that are unrelated to documented construction cost challenges.

Funding Request and Review Criteria

- The HMCOF resources will prioritize LIFT homeownership development projects that have a current reservation of OHCS funds and have not yet closed because of market and other cost increase conditions, as well as projects already under construction.
- Developer or sponsor must demonstrate they have used all other measures including contingencies to address the hard construction cost overruns.

Since these funds are limited and considered supplementary, OHCS expects developers to do or have done their own due diligence and demonstrate the remedies they put in place to address the cost increases in advance of seeking HMCOF resources. OHCS expects developers to evaluate the degree to which they can apply each of the following measures according to their circumstances prior to requesting HMCOF resources:

- Value engineering to reduce project costs without seriously compromising project livability elements
- Increase deferred developer fee to the extent it makes the deal work and provided it can be paid off within 15 years. Developers are expected to not increase cash developer fee from what was approved in their application.
- Maximize permanent loan to be as large as project income will support
- Secure other non-OHCS resources

Supplemental HMCOF Funding Requests Requirements

Developers are encouraged to work closely with the Development Officer assigned to the project who will coordinate with program staff to identify the best suitable resources.

In order to request funds under this initiative, the submission must include the following:

1. Complete HMCOF Application:
 - a) Project Information and Development Team
 - b) Sources and Uses
 - c) Application Narrative Questions
2. Updated and Finalized construction bid(s)
3. Updated and Final equity commitment letter(s)
4. Final or revised lender LOI if additional permanent loan funds have been secured
5. Timeline to Closing (if applicable): The projected timeline to closing and construction commencement (if closing/commencement has not yet occurred).

OHCS will seek to fund all eligible projects that apply, however, given limitations of funds, applicants may not receive the full amount of funds requested. OHCS staff may make funding decisions on resources requested and reserve the right to consider other factors in determining the amount of assistance awarded including but not limited to remaining contingency and construction costs and fees relative to other projects, and the degree to which the development team has worked proactively to mitigate cost increases. OHCS staff will make funding recommendations to the OHCS Finance Committee and Executive Director for final approval.

Program Charges

There is a \$250 application charge and a \$750 document preparation charge. Partners are responsible for recording grant agreements as necessary.

Application Instructions

For questions and to submit your HMCOF request email HO.Development@hcs.oregon.gov. Requests are due by 5:00 pm on 10/28/22.