

# Moderate-Income Revolving Loan (MIRL) Program February 2025



## Program Manual

### Contact

Megan Ellertson  
Program Manager  
**[MIRL@hcs.oregon.gov](mailto:MIRL@hcs.oregon.gov)**



North Mall Office Building, 725 Summer St NE, Ste B, OR 97301-1266  
(503) 986-2000, FAX (503) 986-2020, TTY (503) 986-2100



# Table of Contents

<b>1. PROGRAM OVERVIEW</b>	<b>2</b>
1.1 SCOPE OF MANUAL	3
1.2 DEFINITION OF PROGRAM TERMS	3
<b>2. PROGRAM AVAILABILITY</b>	<b>8</b>
2.1 OPENING, AVAILABILITY & RURAL FUNDING FLOOR	8
<b>3. ELIGIBILITY CRITERIA</b>	<b>9</b>
3.1 SUMMARY OF PROJECT ELIGIBILITY	9
FOR-SALE / HOMEOWNERSHIP DEVELOPMENT	9
RENTAL HOUSING DEVELOPMENT	9
3.2 ELIGIBLE COSTS	9
3.3 INELIGIBLE TAX EXEMPTION LAYERING	10
<b>4. PROGRAM AFFORDABILITY REQUIREMENTS</b>	<b>10</b>
4.1 MINIMUM PROGRAM AFFORDABILITY REQUIREMENTS	10
4.2 MIXED-INCOME & MIXED USE CONSIDERATIONS	11
<b>5. SPONSORING JURISDICTION ADOPTS ORDINANCE AND ESTABLISHES LOCAL GRANT PROGRAM</b>	<b>11</b>
5.1 ORIGINATING RESOLUTION OR ORDINANCE	11
5.2 SPONSORING JURISDICTION GRANT PROGRAM	12
<b>6. SPONSORING JURISDICTION AND OHCS ENTER MASTER AGREEMENT</b>	<b>13</b>
6.1 MASTER AGREEMENT	13
6.2 INTERGOVERNMENTAL AGREEMENT BETWEEN OHCS AND COUNTY	14
<b>7. SPONSORING JURISDICTION REVIEWS PROJECT APPLICATIONS</b>	<b>14</b>
<b>8. SPONSORING JURISDICTION SUBMITS PROGRAM LOAN REQUEST TO OHCS</b>	<b>15</b>
8.1 INTENT TO APPLY	15
8.2 PROGRAM LOAN REQUEST CHECKLIST	16
<b>9. OHCS REVIEWS PROGRAM LOAN REQUEST</b>	<b>16</b>
9.1 INITIAL REVIEW CONSIDERATIONS	16
9.2 COMPLETENESS REVIEW	17
9.3 COMPLETENESS DECISION	20
<b>10. SPONSORING JURISDICTION AND OHCS ENTER LOAN AGREEMENT; SPONSORING JURISDICTION AND DEVELOPER ENTER GRANT AGREEMENT</b>	<b>20</b>
10.1 NOTICE OF APPROVAL AND LOAN AGREEMENT	21
10.2 GRANT AGREEMENT WITH DEVELOPER	21
10.3 PROJECT-SPECIFIC ORDINANCE OR RESOLUTION	22
10.4 PROGRAM LOAN DISBURSAL	22
10.5 TAX EXEMPTION BY COUNTY ASSESSORS	23
<b>11. DEVELOPER'S PROJECT GRANT RESPONSIBILITIES</b>	<b>23</b>
11.1 GENERAL RESPONSIBILITIES	23
11.2 DEVELOPER NONCOMPLIANCE	24
<b>12. COUNTY TAX OFFICERS' PROGRAM FEE COLLECTION RESPONSIBILITIES</b>	<b>24</b>
12.1 PROGRAM FEE	24
12.2 COUNTY TAX OFFICER RESPONSIBILITIES	25
<b>13. SPONSORING JURISDICTION'S REPORTING AND TRACKING REQUIREMENTS</b>	<b>26</b>
13.1 PROGRAM LOAN REPAYMENT	26
13.2 ANNUAL REPORT TO OHCS	26
13.3 PROGRAM LOAN CLOSE-OUT	26
13.4 TAX EXEMPTION ENDS	27
<b>14. OTHER PROGRAM CONSIDERATIONS</b>	<b>27</b>

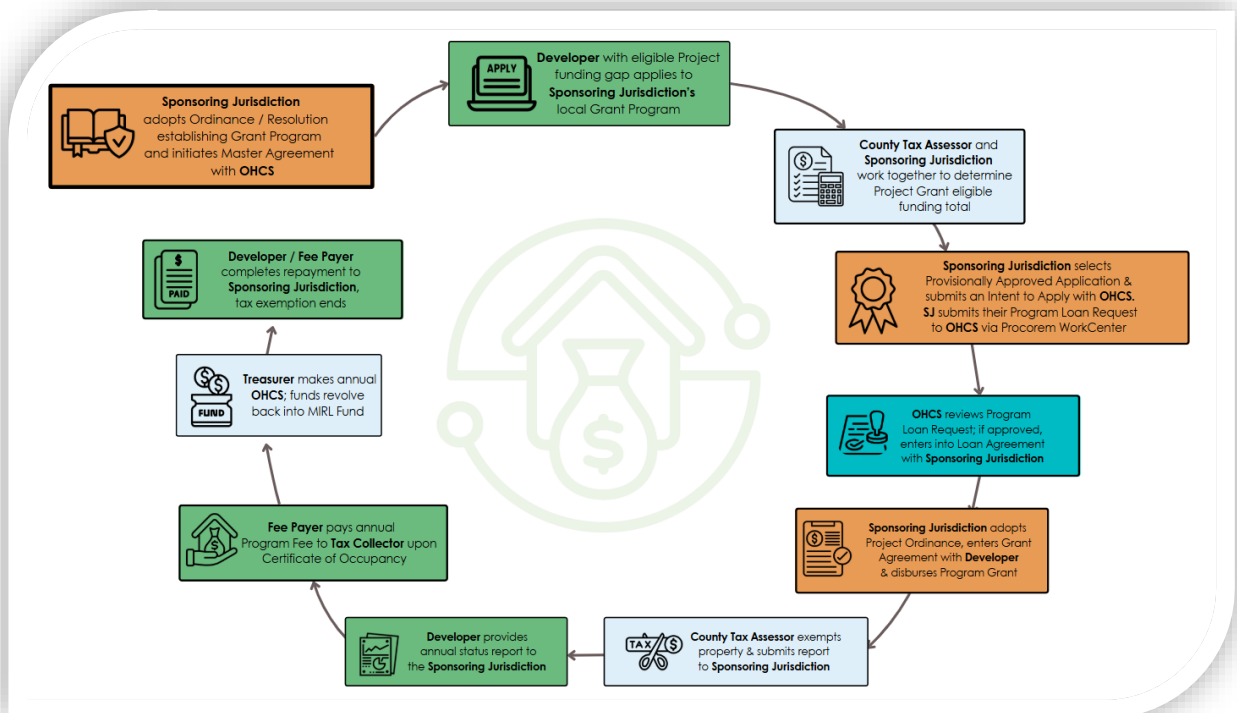
# 1. PROGRAM OVERVIEW

The Moderate-Income Housing Revolving Loan (MIRL) Program was established by Senate Bill 1537 in the 2024 Legislative Session. It allocated \$75 million in General Fund resources to capitalize the Housing Project Revolving Loan Fund. The MIRL Program is intended to support and expand local very low, low- and moderate-income housing production across the state through a revolving loan structure.

[SB 1537 \(2024\)](#) authorizes Oregon Housing and Community Services ("OHCS" or "Department") to make no-interest loans to cities and counties ("Sponsoring Jurisdictions"), meeting certain requirements, to fund very low, low- or moderate-income housing projects backed by local resources. A Sponsoring Jurisdiction uses a Program Loan from OHCS to award Project Grants to Developers with Eligible Housing Projects.

The MIRL Program is limited to the development of new housing, or conversions of non-residential structures to housing, for households earning 120 percent or less of the Area Median Income. The improvements constituting the Eligible Housing Project will be exempt from property taxes for an assumed period of ten (10) years. In lieu of regular property tax payments on the improvements, the Developer / Fee Payer will pay a predetermined annual Program Fee for the duration of the property tax exemption. From the annual Program Fee, the County Tax Officer makes Program Loan payments to OHCS (from originating Loan Agreement with the Sponsoring Jurisdiction).

Program Funds may be used for costs related to infrastructure, predevelopment, construction, and land write-downs. Housing Projects utilizing Program Funds will be subject to Affordability Requirements for the term of the Program Loan or ten (10) years, whichever is greater. As Program Loans are repaid through the Program Fee structure, the Department can issue new Program Loans for additional very low, low- or moderate-income housing development.



T.1 PROGRAM OVERVIEW

## 1.1 Scope of Manual

All MIRL Program Loan Requests from Sponsoring Jurisdictions must comply with the requirements in this Manual, the requirements of any other program from which funding is assigned or requested, and any other applicable funding requirements, whether in statute, administrative rule, regulation, or otherwise.

## 1.2 Definition of Program Terms

**Affordability Requirements** – The affordability covenants applicable to all Eligible Housing Projects as a condition of receipt of a Project Grant. The Affordability Requirements are the affordability restrictions that are set forth in the definition of “Eligible Housing Project,” except that if a Sponsoring Jurisdiction has adopted more restrictive (i.e., more deeply affordable) requirements in its Grant Program, those more restrictive requirements shall be the Affordability Requirements. The Affordability Requirements shall be set forth in a rider to the Grant Agreement, which shall constitute an affordable housing covenant under ORS 456.280 to 456.295, and which shall be recorded in the records of the applicable county.

**Amortization Schedule** – A document provided by OHCS that shows the annual Program Fee owed by the Fee Payer and collected by the County where the Eligible Housing Project is located.

**Annual Increment** – The amount that results when the County Tax Officer takes the amount in paragraph (A) of this definition and subtracts from it the amount in paragraph (B):

- (A) Using the last certified assessment roll for the property tax year in which an application for MIRL Program Funds is received, the County Tax Officer determines the amount of property taxes assessed against all tax accounts that include the Eligible Housing Project Property, and then subtracts the amount of operating taxes as defined in ORS 310.055 and local option taxes as defined in ORS 310.202 levied by fire districts.
- (B) For the first property tax year for which the completed Eligible Housing Project Property is estimated to be taken into account, the County Tax Officer determines the estimated amount of property taxes that will be assessed against all tax accounts that include the Eligible Housing Project Property and subtracts the estimated amount of operating taxes and local option taxes levied by fire districts.

**Approved Application** – An application for MIRL Program Funds that has been approved by both a Sponsoring Jurisdiction and OHCS.

**Area Median Income (AMI)** – The area median income, subject to adjustment for areas with unusually high or low incomes or housing costs, all as determined by the Housing and Community Services Department based on information from the United States Department of Housing and Urban Development.

**Certified Appraiser** – An individual performing a property appraisal with the proper certifications and licensure appropriate for the property as outlined in OAR 161-025-0000 – OAR 161-025-0010.

**Construction Costs** – The hard and soft costs incurred during the development of housing which include, but are not limited to, labor, materials, construction contracts, land planning, engineering and architect fees, surveys, taxes and interest during construction. This can also include broadband internet wiring costs.

**Contingency** – A set aside of funds to be used for construction or development conditions that are not certain to occur. OHCS requires projects to have a reasonable contingency associated with each project. Ultimate contingency amounts must pass a reasonability test for that particular project, and

OHCS retains sole discretion to determine what is “reasonable” on a case-by-case basis. Contingencies are generally expected to range between 5-10 percent of total Construction Costs.

**County Tax Officer(s)** – The assessor, tax collector, treasurer, or other individual filling that county office so named or any county officer performing the functions of that office under another name.

**Department** – Oregon Housing and Community Services; Oregon Department of Housing and Community Services; OHCS.

**Developer** – Any individual, or any partnership, organization or other legally formed ownership entity, with a controlling interest in a proposed or funded Eligible Housing Project and that is or will be compensated for that controlling interest.

**Eligible Costs** – The following costs associated with an Eligible Housing Project:

- (A) Infrastructure Costs, including but not limited to system development charges;
- (B) Predevelopment Costs;
- (C) Construction Costs; and
- (D) Land Write-Downs.

**Eligible Housing Project** – A project to construct housing, or to convert a building from nonresidential use to housing, that is:

(A) *If For-sale / Homeownership Housing:*

- (1) Middle housing as defined in ORS 197A.420, a single-family dwelling, or a multifamily dwelling; and
- (2) Affordable to, and sold or offered for sale to, households with very low income, low income, or moderate income, as those terms are defined in ORS 458.610, continuously from initial sale for a period set forth in a Loan Agreement of not less than the Loan Term; or

(B) *If Rental Housing:*

- (1) Middle housing as defined in ORS 197A.420, a multifamily dwelling, an accessory dwelling unit as defined in ORS 215.501, or any other form of affordable housing or moderate income housing; and
- (2) Rented to households with very low income, low income, or moderate income, as those terms are defined in ORS 458.610, and rented at a monthly rate (rent plus a utility allowance set by the Sponsoring Jurisdiction) that is affordable to households with very low income, low income, or moderate income, such affordability to be maintained for a period set forth in a Loan Agreement of not less than the Loan Term.

**NOTE:** For mixed-income housing developments, “Eligible Housing Project” means only those units that satisfy the requirements of this definition, and the portion of shared costs that pertain to them.

**Eligible Housing Project Property** – The taxable real and personal property constituting the improvements of an Eligible Housing Project.

**Fee Payer** – In any property tax year during the tax exemption period, the person responsible for paying ad valorem property taxes or Program Fees on Eligible Housing Project Property.

**NOTE:** The Fee Payer could be the Developer, homeowner, or any individual, entity, agency, or other entity with an ownership stake in the Project property.

**Fire District Fees** – The County Tax Officer’s estimate, for a given property tax year in which a Program Fee is payable, of the amount of operating taxes as defined in ORS 310.055 and local option taxes as defined in ORS 310.202 levied by fire districts that would have been collected on Eligible Housing Project Property if it were not exempt.

**Grant Agreement** – A legally binding document between the Sponsoring Jurisdiction and the Developer that conveys the Grant Funds and sets the terms and conditions of their use for an Eligible Housing Project.

**Grant Funds** – The Project Grant moneys that a Sponsoring Jurisdiction awards to a Developer via a Grant Agreement.

**Grant Program** – The process, including forms and deadlines, adopted by a Sponsoring Jurisdiction, by which a Developer may apply for a Project Grant with respect to an Eligible Housing Project.

**Infrastructure Costs** – The fundamental facilities and systems required for residential buildings, including, but not limited to, water, electricity and sanitation. This also includes system development charges.

**Intergovernmental Agreement (IGA)** – A written agreement between two or more public entities. For the MIRL Program, OHCS will enter into two (2) or three (3) Intergovernmental Agreements, one with the Sponsoring Jurisdiction (the “Master Agreement”) after the Sponsoring Jurisdiction adopts the Originating Ordinance or Resolution, and one with the Sponsoring Jurisdiction (the “Loan Agreement”) when OHCS has approved the Program Loan Request for a specific Project. A third IGA will be necessary with the county of the Sponsoring Jurisdiction as the taxing entity when the Sponsoring Jurisdiction is a city government. This will also be done at the time of the Originating Ordinance or Resolution.

**Land Write-Down** – A change in the value of the land due to Grant Program participation that is supported by an appraisal completed by a Certified Appraiser and not rejected by the County Tax Officer.

**Loan Agreement** – The binding legal document between OHCS and a Sponsoring Jurisdiction for a specific Eligible Housing Project that sets out the Loan Amount and terms of repayment.

**Loan Amount** – The total Program Funds provided by OHCS to a Sponsoring Jurisdiction, which shall be set forth in the Loan Agreement between OHCS and the Sponsoring Jurisdiction. The Loan Amount is the sum of:

- (A) The Grant Funds;
- (B) An amount equal to 5 percent of the Grant Funds, to reimburse the Sponsoring Jurisdiction for the costs of administering the Grant Program; and
- (C) An amount equal to 1 percent of the Grant Funds, to reimburse the County Tax Officer for the costs of the tax administration of the Grant Program.

**Loan Documents** – A Master Agreement, any Loan Agreement, all exhibits to either of the foregoing, and any other agreement executed or to be executed by OHCS and Sponsoring Jurisdiction in connection with the Program Loan.

**Loan Repayment** – Payment to OHCS by a County Tax Officer responsible for Program Fee collection in service of the debt tied to a Loan Agreement.

**Loan Term** – The presumptive number of years that a Sponsoring Jurisdiction has to repay a Program Loan to OHCS. The Loan Term is multiplied by the Annual Increment to determine the maximum Project Grant award. As a result of the way in which the Program Fee is calculated, in most instances, the Sponsoring Jurisdiction will repay the Program Loan to OHCS before the end of the Loan Term. The Loan Term may not exceed the greater of:

- (A) Ten years following July 1 of the first property tax year for which the completed Eligible Housing Project Property is estimated to be taken into account; or

- (B) If agreed to by the Sponsoring Jurisdiction and OHCS, and if authorized by the Sponsoring Jurisdiction's Originating Ordinance or Resolution, the period of time required for the Program Loan to be repaid in full.

**Low-Income** – Annual income, by household size, that is more than 50 percent and not more than 80 percent of the Area Median Income.

**Master Agreement** – An Intergovernmental Agreement between the Department and a Sponsoring Jurisdiction that contains the general terms and conditions that apply to all Program Loan Agreements made between that Sponsoring Jurisdiction and OHCS. Must be executed before a Sponsoring Jurisdiction may submit a Program Loan Request.

**Moderate-Income** – Annual income, by household size, that is more than 80 percent and not more than 120 percent of the Area Median Income.

**Net Program Fee** – The Program Fee less the Fire District Fee.

**Nonexempt Property** – Property other than Eligible Housing Project Property in the tax account that includes Eligible Housing Project Property.

**Nonexempt Taxes** – Ad valorem property taxes assessed on Nonexempt Property.

**Ordinance** – A law adopted by a local government governing authority, such as a city council or county board of commissioners, that applies only in that local jurisdiction.

**Originating Ordinance or Resolution** – An Ordinance or Resolution that must be passed by the Sponsoring Jurisdiction to create its local Grant Program before it can submit a Program Loan Request to OHCS.

**Predevelopment Costs** – Includes, but is not limited to, site acquisition, architectural services, and Project consultants.

**Pro Forma** – A document provided by the Department that requires the Developer to outline the sources and uses of funding for the proposed Eligible Housing Project as well as proposed operating costs, if applicable. As required by section 26(1)(b)(E) of SB 1537 (2024), OHCS utilizes this document as part of its analysis in determining whether the Project in question would not be economically feasible without the Project Grant.

**Program or MIRL or MIRL Program** – The Moderate-Income Revolving Loan (MIRL) Program established in Sections 24 to 36 and 62 of SB 1537 (2024).

**Program Fee or Fee** – The fee paid annually by the Fee Payer for the shorter of: the Loan Term, or until the total Program Fees paid during the life of the tax exemption equals the value of the Program Loan that relates to the Eligible Housing Project in question. The Program Fee shall be in an amount calculated as the combined total of:

- (A) The portion of the Annual Increment that is attributable to the Eligible Housing Project Property, or the total Grant Funds in a Grant Agreement divided by the Loan Term, whichever is smaller;
- (B) An administration fee equal to 6 percent of the amount in paragraph (A) of this definition (5 percent to the Sponsoring Jurisdiction and 1 percent to the County Tax Officer); and
- (C) A 3 percent escalator (applied to the sum of paragraphs (A) and (B) of this definition) each year after the first year of Fee payment.

**Program Funds** – Funds allocated to the Moderate-Income Revolving Loan (MIRL) Program, which are made available to Sponsoring Jurisdictions through Program Loans administered by the Department.

**Program Loan** – Program Funds received by a Sponsoring Jurisdiction from the Department pursuant to a Loan Agreement.

NOTE: Program Loans are different from “Project Grants.”

**Program Loan Request** – All required materials, including the Provisionally Approved Application, submitted to the Department by the Sponsoring Jurisdiction seeking a Program Loan for an Eligible Housing Project.

**Program Requirements** – All terms, conditions, covenants, or other obligations of a Developer (including through its officers, employees, contractors, agents, and assignees) with respect to the Program, including as contained in relevant statutes, regulations, administrative rules, manuals, codes, Department directives, policies, applicable documents, or otherwise.

**Project** – An affordable housing development that seeks or receives Program Funds.

**Project Applicant** – Any housing Developer with an Eligible Housing Project applying for a Project Grant from a Sponsoring Jurisdiction's Grant Program.

NOTE: Sponsoring Jurisdictions are not “Project Applicants.”

**Project Application** – A very low-income, low-income, or moderate-income housing development for which a Developer seeks or obtains Program Funds from a Sponsoring Jurisdiction. If approved by a Sponsoring Jurisdiction, a Project Application becomes a Provisionally Approved Application.

**Project Grant or Grant** – Program Funds received by a Developer from a Sponsoring Jurisdiction's Grant Program to fill an eligible funding gap for an Eligible Housing Project. The maximum Project Grant award is the Annual Increment multiplied by the Loan Term. Before receiving a Project Grant, Developers must enter into a Grant Agreement with the Sponsoring Jurisdiction.

NOTE: Project Grants are different from “Program Loans.”

**Project Ordinance or Resolution** – A Project-specific Ordinance or Resolution passed by a local government governing authority, such as a city council or county board of commissioners, that applies only in that Sponsoring Jurisdiction, and that recognizes the tax-exempt status of the Eligible Housing Project Property and contains other information as set forth in section 29(3) of SB 1537 (2024).

**Provisionally Approved Application** – A Project Application for a Project Grant submitted by a Developer and approved by a Sponsoring Jurisdiction. Sponsoring Jurisdictions include the Provisionally Approved Application in the Program Loan Request sent to OHCS.

**Resolution** – A formal expression of the opinion or will of a jurisdiction's governing authority.

**Rural Sponsoring Jurisdictions** – All Sponsoring Jurisdictions in the following counties: Baker, Clatsop, Coos, Curry, Douglas, Gilliam, Grant, Harney, Hood River, Klamath, Lake, Lincoln, Malheur, Morrow, Sherman, Tillamook, Umatilla, Union, Wallowa, Wasco, and Wheeler.

**Sponsoring Jurisdiction** –

(A) A city with respect to Eligible Housing Projects located within the city boundaries; or

(B) A county with respect to Eligible Housing Projects located in urban unincorporated areas of the county; or



(C) The governing body of a city or county.

**Very Low-Income** – Annual income, by household size, that is 50 percent or less of the Area Median Income.

## 2. PROGRAM AVAILABILITY

Any Sponsoring Jurisdiction in the State of Oregon agreeing to follow the necessary steps to create a Grant Program is eligible to participate in the MIRL Program.

Though the state provides up-front capital in the form of a no-interest loan, the MIRL Program is, at its core, a local government initiative designed to spur housing development using local resources. Given this, statute and the Department aim to preserve flexibility to every degree possible for local governments and their local Grant Program design. As local governments agree to forego projected tax revenue in an effort to boost local housing production, it is Sponsoring Jurisdictions that are responsible for the administration, oversight, and ultimately, the success of their local Grant Program. This flexibility allows local governments to tailor the Grant Program to their needs when establishing their Grant Program through the Originating Ordinance / Resolution.

### 2.1 Opening, Availability & Rural Funding Floor

Oregon Housing and Community Services (OHCS) will announce Program Funds availability through [Technical Advisories](#) and the [Moderate-Income Revolving Loan](#) program webpage.

The MIRL Program was established and funded through SB 1537 (2024) with \$75 million, of which a maximum of \$50 million is available for the first two (2) years after Program launch. The remaining \$25 million will be added to the Program after the two-year mark.

#### Rural Funding Floor

To ensure resources reach across the state and address the challenges Rural Sponsoring Jurisdictions face in the timely submission of Program Loan Requests, OHCS is establishing a rural utilization floor for all initial Program Funds. The floor ensures at least 20 percent of all initial offerings – \$10 million in the initial offering – will be loaned to Rural Sponsoring Jurisdictions.

OHCS will monitor usage and hold resources for Program Loan Requests from Rural Sponsoring Jurisdictions. If the rural funding floor is not utilized within two (2) years, the Department reserves the right to offer the rural resources to all Program Loan Requests at the Department's sole discretion.

#### Program Subscription – Closure and Reopening Protocol

Closure of the Department's MIRL Program prevents the Department from reviewing any Program Loan Requests submitted after closure notice. If the Department is reviewing a Program Loan Request when it closes the Program, it will return that Program Loan Request to the Sponsoring Jurisdiction. The Department will reopen the Program once Program Funds are recycled or added into the Program and exceed \$500,000 in resource availability.

OHCS may close the Program to non-Rural Sponsoring Jurisdictions in the event that OHCS is holding resources associated with an initial offering for the rural floor and all other resources are fully obligated by current Program Loan Requests.

Program Loan funds that are repaid to OHCS will be transferred to the Housing Project Revolving Loan Fund and will not be subject to a rural funding floor.

**NOTE:** Program closure will also be announced through technical advisory. Any Program Loan Requests received but that cannot be funded will be returned to the Sponsoring Jurisdiction. As funding becomes available again, Sponsoring Jurisdictions may resubmit. Program Loan Requests received and returned will not retain their submittal date and will need to reapply in competition with other Program Loan Requests once the Program is reopened.

## 3. ELIGIBILITY CRITERIA

### 3.1 Summary of Project Eligibility

To be eligible for Program Funds, Eligible Housing Projects must meet **each** of the following requirements for rental and for-sale housing development, respectively. This is a summary of key eligibility requirements, not a comprehensive description of all Program requirements.

For-Sale / Homeownership Development	Rental Housing Development
Construct new housing units or convert a building from nonresidential use to housing.	Construct new housing units or convert a building from nonresidential use to housing.
A single-family dwelling, middle housing as defined in ORS 197A.420 or a multifamily dwelling.	Middle housing as defined in ORS 197A.420, an accessory dwelling unit as defined in ORS 215.501, a multifamily dwelling, or any other form of affordable housing or moderate-income housing.
Affordable to, and sold or offered for sale to, households with very low income, low income, or moderate income, as those terms are defined in ORS 458.610, continuously from initial sale for a period set forth in a Loan Agreement of not less than the Loan Term.	Rented to households with very low income, low income, or moderate income, as those terms are defined in ORS 458.610, and rented at a monthly rate (rent plus a utility allowance set by the Sponsoring Jurisdiction) that is affordable to households with very low income, low income, or moderate income, such affordability to be maintained for a period set forth in a Loan Agreement of not less than the Loan Term.

### 3.2 Eligible Costs

The following costs for an Eligible Housing Project are eligible for a Project Grant from a Sponsoring Jurisdiction:

- Infrastructure Costs, including, but not limited to, system development charges;
- Predevelopment Costs;
- Construction Costs, including eligible soft costs; and
- Land Write-Downs.

Only Eligible Costs incurred no more than twelve (12) months before the date that the Eligible Housing Project received local site approval may be reimbursed through a Project Grant. Each Sponsoring Jurisdiction will define “local site approval” for purposes of its local Grant Program.

### 3.3 Ineligible Tax Exemption Layering

Property tax exemptions under the MIRL Program are specific to the *improvements* to the property in a given Project. The MIRL Program exemption may not be combined with other property tax exemptions that also apply to the Project improvements (*i.e.*, the Eligible Housing Project Property).

Property tax exemptions on the Nonexempt Property (such as the land) do not affect improvement exemptions and are allowable.

## 4. PROGRAM AFFORDABILITY REQUIREMENTS

### 4.1 Minimum Program Affordability Requirements

Program Funds may be used only for Eligible Housing Projects that comply with the following Affordability Requirements:

**If For-sale / Homeownership Housing:**

- (A) Must be middle housing as defined in ORS 197A.420, a single-family dwelling, or a multifamily dwelling; and
- (B) Must be affordable to, and sold or offered for sale to, households with very low income, low income, or moderate income, as those terms are defined in ORS 458.610, continuously from initial sale for a period set forth in a Loan Agreement of not less than the Loan Term. When determining whether the sales price is affordable, Developers, Sponsoring Jurisdictions, and the Department must assume a 35 percent front-end ratio and a down payment amount that is typical for the area. Sponsoring Jurisdictions and Developers are responsible for ensuring that the sales price meets these requirements.

**If Rental Housing:**

- (A) Must be middle housing as defined in ORS 197A.420, a multifamily dwelling, an accessory dwelling unit as defined in ORS 215.501, or any other form of affordable housing or moderate income housing; and
- (B) Must be rented to households with very low income, low income, or moderate income, as those terms are defined in ORS 458.610, and rented at a monthly rate (rent plus a utility allowance set by the Sponsoring Jurisdiction) that is affordable to households with very low income, low income, or moderate income, such affordability to be maintained for a period set forth in a Loan Agreement of not less than the Loan Term. The monthly rate (rent plus utility allowance) may not exceed an amount that is affordable to a household with the maximum AMI for the unit in question. Developers and Sponsoring Jurisdictions are responsible for ensuring that monthly rates do not exceed the applicable maximum monthly rates posted on the [Moderate-Income Revolving Loan](#) webpage. Monthly rates may not exceed the rates described in the Project Application and must fall within the range established by the Sponsoring Jurisdiction in its Originating Ordinance or Resolution.

NOTE: OHCS will *not* provide a Program Loan for any unit(s) utilized, sold or rented above 120 percent AMI.

## **Affordability Covenants and Enforcement of Compliance Plan**

As part of each Grant Agreement, OHCS will require a rider that contains, among other components, an affordable housing covenant that will impose the Affordability Requirements on the Eligible Housing Project Property. If Program Funds are combined with other funding sources or if the Sponsoring Jurisdiction establishes more restrictive standards in its Originating Ordinance or Resolution, the most restrictive income and rent/sale price requirement applicable to the Eligible Housing Project units applies.

Sponsoring Jurisdictions that award Project Grants to Developers must perform oversight and enforce compliance with the Affordability Requirements. The particular manner of oversight and enforcement of the Affordability Requirements is the responsibility of each Sponsoring Jurisdiction and will be outlined in the Sponsoring Jurisdiction's Compliance Plan provided to the Department with the Originating Ordinance or Resolution.

OHCS will not require a specific affordability reporting process beyond the annual report described in Section 13.2 of this Manual.

NOTE: OHCS reserves the right to audit or review oversight and compliance activities to ensure proper oversight is being maintained and retains a third-party enforcement right in each affordable housing covenant.

## **4.2 Mixed-Income & Mixed Use Considerations**

Units that do not comply with the Affordability Requirements and buildings used for non-housing purposes are ineligible for MIRL.

OHCS will process and provide Program Loans for mixed-income and mixed-use Projects provided that, in addition to meeting all other Program Requirements, the Sponsoring Jurisdictions can clearly separate eligible and ineligible costs in their Program Loan Request. Program Funds may be used for Eligible Costs pertaining to Eligible Housing Project Property only.

For a rental Project that includes unrestricted, market-rate units, the Department will use its Mixed-Income Shared Cost Allocation methodology and Applicable Fraction policy to ensure that Program Funds are used only for those units that satisfy the Affordability Requirements. To qualify, Affordability Requirements must apply to a minimum of 10 units or 10 percent of the total units, whichever is greater. See Oregon Administrative Rules chapter 813, division 380.

# **5. SPONSORING JURISDICTION ADOPTS ORDINANCE AND ESTABLISHES LOCAL GRANT PROGRAM**

## **5.1 Originating Resolution or Ordinance**

### **Optional Components of Originating Ordinance or Resolution**

The Originating Ordinance or Resolution must include all additional requirements and parameters the Sponsoring Jurisdiction plans to layer onto the MIRL Program's minimum requirements. Some examples that a Sponsoring Jurisdiction may consider when adopting this Ordinance or Resolution include, but are not limited to:

- Require or incentivize deeper affordability than is required by the minimum Affordability Requirements.
- Restrict the type of housing that is eligible for the Program (e.g., only rental housing, only for-sale housing, only middle housing types, etc.).
- Establish restrictions related to the size and number of Project Grants, and/or certain costs associated with the Program.
- Incentivize Projects in certain locations (e.g., infill initiatives).
- Set lower caps on Project Grant amounts than the maximum amounts allowed under SB 1537 (2024).
- Allow Project Grant awards to be based upon a Loan Term longer than the default ten (10) years, up to a maximum of fifteen (15) years. OHCS will not approve Program Loan Requests with Loan Terms longer than fifteen (15) years.

A Sponsoring Jurisdiction may amend its Originating Ordinance or Resolution at any time but is required to notify OHCS when that occurs. Amendments to the Originating Ordinance or Resolution may require an amendment to the Master Agreement with the Department. The amendments shall apply only to Project Applications received by the Sponsoring Jurisdiction on or after the effective date of the Ordinance or Resolution amendment.

NOTE: No city or county is *required* to establish a Grant Program, but only Sponsoring Jurisdictions that have established Grant Programs are eligible to receive Program Funds.

### **5.1.1 Mandatory Components of Originating Ordinance or Resolution**

The Originating Ordinance or Resolution must include:

- A definition of “local site approval”;
- A Compliance Plan that outlines how the Sponsoring Jurisdiction intends to ensure Affordability Requirements are being met for the duration of the Program Loan or ten (10) years, whichever is longer. OHCS does not intend to approve or deny Compliance Plans, as it is the Sponsoring Jurisdiction's role to ensure Affordability Requirements are met; and
- A description of how the Sponsoring Jurisdiction will calculate the utility allowance for a given unit in an Eligible Housing Project.

After a Sponsoring Jurisdiction adopts its Originating Ordinance or Resolution establishing its Grant Program, it will enter into an Intergovernmental Agreement – “Master Agreement” – with the Department, which contains the general terms and conditions that will apply to any subsequent Loan Agreement.

## **5.2 Sponsoring Jurisdiction Grant Program**

If a Sponsoring Jurisdiction adopts an Originating Ordinance or Resolution to accept Program Funds, it will establish a Grant Program, which must include forms, required information, and deadlines by which a Developer may submit a Project Application for a Project Grant with respect to an Eligible Housing Project.

### **Project Application**

The Grant Program established by a Sponsoring Jurisdiction shall require a Developer / Project Applicant to provide in its Project Application, at a minimum:

1. A description of the Eligible Housing Project, including but not limited to legal description, type (rental or for-sale/homeownership), unit mix and size, designated Fee Payer (if other than Developer), and AMI distribution across units;

2. Contact information that includes but is not limited to the Developer, appraiser, lender (if applicable), and architect;
3. An itemized description of the Eligible Costs for which the Grant is sought;
4. The proposed construction timeline for the Eligible Housing Project;
5. A Pro Forma demonstrating that the Project would not be economically feasible but for receipt of the Grant Funds. OHCS will provide two template Pro Forms, one for rental housing and one for for-sale property. The Developer must utilize the correct Pro Forma for the application to be considered;
6. An appraisal from a Certified Appraiser estimating the value of the Eligible Housing Project Property after completion of the Eligible Housing Project. The Sponsoring Jurisdiction may allow for other similar valuation methods other than an appraisal from a Certified Appraiser if approved by OHCS. The Department will require this information with the Provisionally Approved Application submittal to OHCS;
7. A Phase I environmental report. It is the Sponsoring Jurisdiction's responsibility to review and make determinations on this report. Developers are required to comply with all applicable environmental laws. Projects must obtain appropriate environmental studies with respect to Project development and mitigate any negative conditions found through those studies to the Sponsoring Jurisdiction's satisfaction;
8. Documentation of site control;
9. Integrity form (see Section 9.2 of this Manual);
10. Affirmatively Furthering Fair Housing marketing plan or an equivalent description of how the Project will be marketed to the least likely to apply if the Project is For-Sale (Homeownership) and
11. Any other information, documentation or attestation that the Sponsoring Jurisdiction or OHCS considers necessary or convenient for the Project Application review process, including information required for OHCS to perform its completeness review (see Section 9.2 of this Manual).

## **Considerations for Land Divisions**

OHCS anticipates that generally, Developers will submit a separate Project Application for each lot on which they propose to develop an Eligible Housing Project.

If Sponsoring Jurisdictions allow Developers to submit Project Applications for unsubdivided land that Developers will later subdivide as part of the Project, Sponsoring Jurisdictions must consider and plan for completion timing, responsibility for Fee payment, valuation variance, long-term tracking of the lots once they are subdivided, and other factors. OHCS will approve a Program Loan Request that includes unsubdivided land that a Developer plans to subdivide as part of the Project only if a Sponsoring Jurisdiction has a clear plan in place for how to address these issues.

## **6. SPONSORING JURISDICTION AND OHCS ENTER MASTER AGREEMENT**

### **6.1 Master Agreement**

The Master Agreement is an IGA between the Sponsoring Jurisdiction and OHCS that contains Program Requirements and establishes the general terms and conditions that will govern any and all Loan Agreements. OHCS expects these documents to be pre-approved templates by the Oregon Department of Justice. As such, OHCS will generally not negotiate changes to these documents with a Sponsoring Jurisdiction.

A Master Agreement may be initiated with OHCS when a Sponsoring Jurisdiction has adopted an Originating Ordinance or Resolution establishing its Grant Program. The Sponsoring Jurisdiction should submit the Originating Ordinance or Resolution to OHCS within 30 days of its approval. The Originating Ordinance or Resolution will be made part of the Master Agreement.

As part of the Master Agreement requirements, a Sponsoring Jurisdiction must provide documentation showing that the Sponsoring Jurisdiction consulted with the governing body of any city or county with territory inside the boundaries of the Sponsoring Jurisdiction.

**NOTE:** OHCS will not accept or review Program Loan Requests unless and until a Master Agreement with the Sponsoring Jurisdiction is executed. The Department will not enter into a Master Agreement with a Sponsoring Jurisdiction if OHCS determines that the Sponsoring Jurisdiction's Grant Program conflicts with Program Requirements or any other applicable legal requirement.

### **Initiate Master Agreement with OHCS**



To start the Master Agreement process with OHCS, complete the **Initiate Master Agreement** form on the [Moderate-Income Revolving Loan](#) webpage.

## **6.2 Intergovernmental Agreement Between OHCS and County**

If the Sponsoring Jurisdiction is a city, the Master Agreement between the Sponsoring Jurisdiction and OHCS cannot be executed until the county government that the Sponsoring Jurisdiction is located in also enters into an IGA with the Department. This IGA will set forth the process through which the County Tax Officer will remit Net Program Fees to OHCS in repayment of the Program Loan to which the Program Fees relate. This IGA between OHCS and the county will cover any and all Program Loans made to the Sponsoring Jurisdiction.

OHCS will require the Sponsoring Jurisdiction to provide the responsible county government contact to facilitate the IGA when the Sponsoring Jurisdiction initiates the Master Agreement with the Department. OHCS will then initiate the IGA with the applicable county.

## **7. SPONSORING JURISDICTION REVIEWS PROJECT APPLICATIONS**

When a Developer submits a Project Application to a Sponsoring Jurisdiction, the Sponsoring Jurisdiction has 90 days to determine if the Project Application meets the standards established in the Grant Program.

At its sole discretion, the Sponsoring Jurisdiction may extend this 90-day timeframe if the volume of Project Applications would make timely completion of the review process unlikely. The Sponsoring Jurisdiction may consult with the Developer / Project Applicant if there are outstanding questions, or the Project Application is incomplete. The Sponsoring Jurisdiction may also ask the Developer to amend the Project Application.

During its Project Application review process, the Sponsoring Jurisdiction shall:

1. Verify the Project Application contains all required components and meets all Grant Program requirements.



2. Request that the County Tax Officers provide the amounts described in section 27 of SB 1537 (2024).

NOTE: Sponsoring Jurisdictions will work with their County Tax Officers to complete this process and should consult their legal counsel for guidance, if needed.

3. Set the Loan Term for a period not to exceed ten (10) years unless a longer term (no greater than 15 years) has been established through the Originating Ordinance or Resolution.
4. Establish the Annual Increment.
5. Set the maximum amount of the Project Grant that may be awarded to the Developer. This can be no more than the Loan Term multiplied by the Annual Increment.

NOTE: Sponsoring Jurisdictions are not obligated to offer the maximum amount, and Developers may request less than the maximum amount for which they are eligible. This may result in the Program Loan being repaid before the end of the Loan Term and a shorter tax exemption period.

6. Make one of the following determinations with respect to the Project Application:
  - a. **Approval.** If the Sponsoring Jurisdiction approves the Project Application, the approval is provisional. The Sponsoring Jurisdiction then must submit the Provisionally Approved Application with its Program Loan Request to OHCS for review.
  - b. **Approval on Different Terms.** The Sponsoring Jurisdiction may provisionally approve the Project Application on terms other than those requested in the Project Application. The Sponsoring Jurisdiction must verify that the Developer still wishes to proceed with the Project Application. The Sponsoring Jurisdiction then must submit the Provisionally Approved Application with its Program Loan Request to for review.
  - c. **Rejection.** If the Sponsoring Jurisdiction rejects the Project Application, the Sponsoring Jurisdiction is responsible to inform the Developer / Project Applicant of the rejection. Project Application rejections are final, but a Developer may submit a new application at any time if the Sponsoring Jurisdictions agrees.

NOTE: Provisional approval by Sponsoring Jurisdiction does not guarantee the Project Application will be awarded a Grant.

## 8. SPONSORING JURISDICTION SUBMITS PROGRAM LOAN REQUEST TO OHCS

### 8.1 Intent to Apply

When a Sponsoring Jurisdiction provisionally approves a Project Application, it must submit the Provisionally Approved Application to OHCS for additional review and completion check as part of the Program Loan Request.

#### Before Submitting a Program Loan Request

When a Sponsoring Jurisdiction is preparing to submit a Program Loan Request to OHCS, the Sponsoring Jurisdiction must complete the **Intent to Apply** form on the [Moderate-Income Revolving Loan](#) webpage. This will prompt OHCS to set up a Procorem WorkCenter for the Sponsoring Jurisdiction, which will allow for documents to be uploaded to a secure site.

OHCS will notify the Sponsoring Jurisdiction of how to access the Procorem WorkCenter shortly after receipt of the Intent to Apply (typically within 3-5 business days).



## Submit an Intent to Apply



Complete the **Intent to Apply** form on the [Moderate-Income Revolving Loan](#) webpage.

## 8.2 Program Loan Request Checklist

Once the Procurement WorkCenter has been opened, the Sponsoring Jurisdiction must submit all required materials, including all materials that OHCS requests in order to perform its completeness review (see Section 9.2) and all materials in the following checklist:

1. Provisionally Approved Application
2. Sponsoring Jurisdiction staff lead contact information
3. A determination on the applicability of Fire District Fees
4. Amortization Schedule (Located in the Program Loan Request Form)
5. Organization / Developer staff lead contact information
6. Pro Forma (including Project costs and uses)
7. Site control documentation
8. Executed copy of the Master Agreement
9. Integrity form (see Section 9.2)
10. Certified Appraisal
11. BOLI prevailing wage determination letter
12. Construction timeline
13. Compliance narrative explaining how the Compliance Plan will be utilized for this Project
14. Affirmatively Furthering Fair Housing marketing plan or an equivalent description of how the Project will be marketed to the least likely to apply if the Project is For-Sale / Homeownership.

This Program Loan Request checklist is also available on the [Moderate-Income Revolving Loan](#) webpage.

**NOTE:** A Program Loan Request is not considered **submitted** until all items are received in the Procurement WorkCenter.

## 9. OHCS REVIEWS PROGRAM LOAN REQUEST

The Department's role is to ensure that the information provided in the Program Loan Request is accurate and complete, that there are adequate Program Funds to fund the requested Program Loan, that the financial assumptions are reasonable, and that the risks associated with repayment of the Loan are acceptable to OHCS.

### 9.1 Initial Review Considerations

**Master Agreement.** Submission of the Program Loan Request will initiate a review to determine if the Sponsoring Jurisdiction has entered into a Master Agreement with the Department. If not, OHCS will reject the Request until such time that a Master Agreement has been executed.

OHCS is not responsible for ensuring the Sponsoring Jurisdiction complies with its own Originating Ordinance or Resolution requirements but may reach out to a Sponsoring Jurisdiction for clarification if OHCS believes there is a potential conflict between the Originating Ordinance or Resolution and the Program Loan Request.

**Sufficient Funds Review.** The Department will determine if sufficient Program Funds are available and will review the Program Loan Request only if sufficient Program Funds are available to fund the Project. If OHCS has available Program Funds but not enough to fund the Project in full, OHCS will work with the Sponsoring Jurisdiction to determine if the Developer wants to withdraw the Provisionally Approved Application until more Program Funds are available or move forward with the available Program Funds.

In determining whether Program Funds are available, OHCS will utilize the following methodology in the order listed and on a first-come, first-reviewed based on the date on which the Sponsoring Jurisdiction submits a Program Loan Request and all required materials in their Procorem WorkCenter:

1. *Can the Project be fully funded utilizing available Program Funds?* This will include a review to determine if the Program Loan request is from a Rural Sponsoring Jurisdiction to ensure the rural floor requirements are met. If funding is available, the Program Loan Request will move forward for further review. If full funding is not available, then:
2. *Are Program Funds available in an amount equal to or greater than \$500,000?* If so, is the Developer interested in the available Program Funds, and can the Project meet underwriting requirements with the available Program Funds? If yes, OHCS will review the Provisionally Approved Application for completeness. If not, then:
3. OHCS will not review the Program Loan Request and will return it to the Sponsoring Jurisdiction due to a lack of funding. Developers that move forward with partial funding are not eligible for additional resources associated with the same development when more Program Funds become available.

Program Loan Requests that pass these initial checks will have Program Funds tentatively reserved for their Project while OHCS makes a final determination on their Request.

- If the Request is ultimately **approved**, the Sponsoring Jurisdiction and OHCS will enter into a Loan Agreement.
- If the Request is ultimately **denied**, the tentatively reserved Program Funds will become available for other Sponsoring Jurisdictions.

NOTE: The tentative reservation of Program Funds for a Program Loan Request expresses no commitment that OHCS will ultimately approve the Program Loan Request.

## 9.2 Completeness Review

After initial Master Agreement and available funding reviews, OHCS will review the Program Loan Request for completeness. To be considered complete, the Program Loan Request must satisfy all of the following requirements:

1. The Provisionally Approved Application contains all of the components required by Section 5.2 of this Manual.
2. The Provisionally Approved Application includes a sources and uses statement as part of a completed Pro Forma.
  - The sources and uses statement must identify each separate funding source and use of funds and the estimated timing of final approval for each. The sources and uses must balance fully and no source may be unknown.

- For **rental housing Projects**, both the sources and uses and the Pro Forma must include projections with Program Funds and without Program Funds.
  - For **for-sale / homeownership Projects**, the sales price with and without Program Funds will be calculated automatically. This will help OHCS determine the need for the Program Funds.
3. The Pro Forma demonstrates that the Project would not be economically feasible but for the requested Grant Funds.
    - For **rental housing Projects**, the Provisionally Approved Application and Pro Forma must use a 30-year cash flow analysis based on current economic forecasts. The Provisionally Approved Application's assumptions must be reasonable for the market and the Pro Forma must contain all standard and/or known costs.
    - For **for-sale / homeownership Projects**, the Provisionally Approved Application and Pro Forma must demonstrate timing of expenses and sales proceeds such that the cash flow is positive in each year of construction.
  4. The Sponsoring Jurisdiction provides contact information for its staff lead for the Program Loan Request.
  5. The Sponsoring Jurisdiction provides a completed draft Amortization Schedule that shows the amount of requested Grant Funds, and the fire district fees, if applicable.
  6. The Pro Forma demonstrates that Project's maximum per unit expenses are reasonable and supported by historical, third party, or industry standard analysis. OHCS will evaluate each proposed Project based on relevant factors, including but not limited to the following:
    - i. Project cost, including the reasonableness of cost per unit;
    - ii. Developer fees and overhead;
    - iii. Consultant fees;
    - iv. Builder profit and overhead;
    - v. Sources and uses of funds;
    - vi. Total financing planned for the Project, including the ability of the Project to service debt;
    - vii. For rental housing Projects, operating expenses are reasonable. OHCS may require Developers to submit documentation to support the long-term operating budget;
    - viii. The proceeds or receipts expected to be generated by reason of tax benefits;
    - ix. The use of federal funds and other assistance; and
    - x. Other factors that may be relevant to the economic feasibility of the Project such as the area economy or the housing market.

For rental housing Projects, operating expenses are reasonable. OHCS may require Developers to submit documentation to support the long-term operating budget.

7. The Project includes a reasonable construction Contingency. Generally, OHCS anticipates construction Contingencies to be 5-10 percent of the Project's total cost.
8. Construction timelines are reasonable and provide for the Project to be completed within three (3) years following the date on which the Grant Funds are distributed to the Developer.
9. A compliance narrative that explains how the Sponsoring Jurisdiction will use its Compliance Plan to ensure that the Project complies with the Affordability Requirements. This should

include outlining affordability requirements, oversight and documentation/record keeping processes.

10. A copy of a determination letter from the Bureau of Labor and Industries (BOLI) states whether or not prevailing wage laws will apply to the Project. 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 wage requirements if the Developer receives \$750,000 or more in public funds and does *not* satisfy all of the following:
  - For rental housing, sixty (60) percent or more of the occupants have incomes less than or equal to 60 percent of AMI. For for-sale / homeownership housing, sixty (60) percent or more of the occupants have incomes less than or equal to 80 percent of AMI;
  - The Project is not more than four stories in height; and
  - No portion of the Project, even if not constructed or contracted for construction by the Developer, constitutes public works.

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

NOTE: This notice does not constitute legal advice. OHCS is not responsible for the determination of prevailing wage applicability.

11. Organizational documents for a Developer that is a corporation (including a nonprofit corporation), LLC, partnership, or any other type of entity.
12. Proof of Site control.
13. Certified Appraisal of the Eligible Housing Project Property and all Nonexempt Property that accounts for the Affordability Requirements.
14. Integrity form in which the Developer certifies that neither the Developer nor any representative, principal, or member of Developer:
  - 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, misuse of funds, or any other act of moral turpitude (including but not limited to any felony or malicious behavior) within the previous ten (10) years;
  - Is or has been involved in a bankruptcy proceeding within the previous ten (10) years;
  - Has been debarred or otherwise sanctioned by any local, state or federal agency;
  - Owes outstanding charges to OHCS from other applications or projects;
  - Failed to complete a project in accordance with requests or certified plans presented to OHCS or any other local, state, or federal agency, except as disclosed in the Provisionally Approved Application;
  - Failed to complete a project within the time schedule required or budget indicated, except as disclosed in the Provisionally Approved Application;
  - Failed to effectively utilize previously allocated local, state, or federal funds and was notified of such failure to meet appropriate utilization, except as disclosed in the Provisionally Approved Application;

- Has been found to be in non-compliance with program rules as evidenced by the Department or other public allocating agency project monitoring and missed the cure time deadline given in writing.
15. Affirmatively Furthering Fair Housing Marketing plan or an equivalent description of how the Project will be marketed to the least likely to apply if the Project is For-Sale (Homeownership).
  16. Phase 1 Environmental Report.
  17. Any additional documentation requested by the Department.

### 9.3 Completeness Decision

OHCS staff will reach out to the Sponsoring Jurisdiction to share concerns as discovered during its review, but ultimately it is the Sponsoring Jurisdiction's responsibility to submit quality Program Loan Requests. OHCS does not warrant, is not liable for and does not take responsibility for Projects that are unsuccessful.

**Complete.** If the Program Loan Request meets all criteria in the previous section, OHCS will approve the Program Loan Request as complete, subject to execution of a Loan Agreement for the Project. OHCS will notify the Sponsoring Jurisdiction of its approval.

**Incomplete.** If OHCS determines that a Program Loan Request is incomplete, staff will inform the Sponsoring Jurisdiction, which will take one of the following actions, as applicable:

1. If the Program Loan Request is incomplete because an item is missing or incomplete that was the Sponsoring Jurisdiction's responsibility to submit, the Sponsoring Jurisdiction may add the item and resubmit the Program Loan Request to OHCS.
2. If the Program Loan Request is incomplete because an item is missing or incomplete that was the Developer's responsibility to submit, the Sponsoring Jurisdiction may consult with the Developer to resolve the issue. The Sponsoring Jurisdiction may reconsider the Project Application after the Developer revises and resubmits it. If the Sponsoring Jurisdiction provisionally approves the revised Project Application, the Sponsoring Jurisdiction may resubmit a Program Loan Request for the revised Project Application to OHCS.
3. The Sponsoring Jurisdiction may reject the Provisionally Approved Application. The rejection of a Provisionally Approved Application is final and may not be appealed.

Generally, incomplete Program Loan Requests (Sponsoring Jurisdiction is at fault) or incomplete Provisionally Approved Applications (Developer is at fault) will have a reasonable period of time to cure or supplement, will not lose their tentative resource hold during that period. (Reasonable means 14 days unless OHCS determines there is good cause to allow for a longer period).

NOTE: Though the rejection may not be appealed, the Developer may reapply for a Project Grant within the Sponsoring Jurisdiction's parameters for the same or another Eligible Housing Project. If for the same project, modifications to the Project Application to resolve the causes for the rejection are highly encouraged.

## 10. SPONSORING JURISDICTION AND OHCS ENTER LOAN AGREEMENT; SPONSORING JURISDICTION AND DEVELOPER ENTER GRANT AGREEMENT

## 10.1 Notice of Approval and Loan Agreement

After receiving notice that OHCS has approved a Project Loan Request, the Sponsoring Jurisdiction shall notify the Developer / Project Applicant and confirm the Developer's continued interest in the Project Grant. Once verified, Sponsoring Jurisdiction will enter into a Loan Agreement with the Department. The form of the Loan Agreement will be set forth as an exhibit to the Master Agreement that OHCS and the Sponsoring Jurisdiction executed.

The Loan Amount shall be equal to the sum of the following:

1. The Grant Funds;
2. An amount equal to 5 percent of the Grant Funds (to reimburse the Sponsoring Jurisdiction for the costs of administering the Grant Program); and
3. An amount equal to 1 percent of the Grant Funds (to reimburse the County Tax Officer for the costs of the tax administration of the Grant Program).

If the Department and the Sponsoring Jurisdiction are unable to enter into a Loan Agreement, OHCS will reject the Program Loan Request as incomplete and the Sponsoring Jurisdiction will select one of the options listed under "Incomplete" in Section 9.3 of this Manual.

## 10.2 Grant Agreement with Developer

When a Loan Agreement is fully executed, the Sponsoring Jurisdiction will enter into a Grant Agreement with the Developer. Once the Grant Agreement is executed, the Sponsoring Jurisdiction will adopt a Project-Specific Ordinance or Resolution (see Section 10.3). After the Project-Specific Ordinance or Resolution has been adopted, the Sponsoring Jurisdiction will notify OHCS and submit a copy of the Grant Agreement and the Project-Specific Ordinance or Resolution through its Procurement WorkCenter.

The submission of the Grant Agreement and Project-Specific Ordinance or Resolution will initiate disbursement of the total Loan Amount (see Section 10.1). Only when the Grant Agreement and Project-Specific Ordinance or Resolution are adopted and submitted will OHCS process and make payment on the Loan Agreement.

### Grant Agreements

The Sponsoring Jurisdiction and the Developer shall enter into a Grant Agreement for the Approved Application. The Grant Agreement shall include, but is not limited to, the following:

1. **Grant Funds.** The amount of the Project Grant will be equal to the amount of the Program Loan less administrative costs for the Sponsoring Jurisdiction and County Tax Officer. Sponsoring Jurisdictions are responsible for subtracting administrative costs from the Program Loan total before disbursing Grant Funds to Developer.
2. **Rider.** An OHCS-approved rider that will contain terms, including but not limited to the Affordability Requirements, that will become part of the Grant Agreement.
3. **Program Requirements.** The Grant Agreement shall require the Developer to follow Program Requirements, including but not limited to:
  - i. Affordability Requirements;
  - ii. Approved Project specifications;
  - iii. Developers must design, develop, and operate the Project to ensure it provides safe, sanitary, and habitable housing;

- iv. Program Fee payment terms, which must include the Annual Increment, administrative costs, Fire District Fees (if applicable) and a 3 percent annual escalation of the Fee payment after year 1.  
NOTE: OHCS recommends that the Sponsoring Jurisdiction utilize the Amortization Schedule referenced in this Manual when drafting Program Fee payment terms; and
- v. Reporting.

**Additional Terms and Conditions.** Additional provisions may be included in the Grant Agreement as long as they do not conflict with the Grant Program, the Originating Ordinance or Resolution adopted by the Sponsoring Jurisdiction.

Each Sponsoring Jurisdiction's Grant Program must require information sufficient for the Sponsoring Jurisdiction to determine that the Project will provide decent, safe and sanitary housing for very low, low- or moderate-income persons.

Within three (3) days following execution of the Grant Agreement, the Sponsoring Jurisdiction shall record the Grant Agreement in the real property records of the county in which the Project is located.

### 10.3 Project-Specific Ordinance or Resolution

Upon entering into a Grant Agreement with a Developer, and prior to disbursing the Grant Funds to the Developer, a Sponsoring Jurisdiction shall adopt a Project-Specific Ordinance or Resolution setting forth the details of the Eligible Housing Project that is the subject of the Grant Agreement, including but not limited to:

1. A description of the Eligible Housing Project;
2. An itemized description of the Eligible Costs;
3. The amount and terms of the Project Grant;
4. Written notice that the Eligible Housing Project Property is exempt from property taxation in accordance with Section 30 of SB 1537; and
5. A statement declaring that the Grant has been awarded in response to the housing needs of communities within the Sponsoring Jurisdiction.

### 10.4 Program Loan Disbursal

Upon execution of the Grant Agreement and adoption of the Project-Specific Ordinance or Resolution, the Sponsoring Jurisdiction will request the Program Loan funds.

A copy of the Grant Agreement and the Project-Specific Ordinance or Resolution must be submitted through the Sponsoring Jurisdiction's Procurem WorkCenter before Loans will be processed. Payments made to Sponsoring Jurisdictions will be made via ACH transmission in one lump sum.

Unless otherwise specified in the Grant Agreement, as soon as practicable after the Project-Specific Ordinance or Resolution becomes effective and the Sponsoring Jurisdiction submits the Grant Agreement and the Project-Specific Ordinance or Resolution through the Procurem WorkCenter, the Sponsoring Jurisdiction shall distribute to the Developer a portion of the Program Loan that is equal to the Grant Funds.

The Sponsoring Jurisdiction must also forward, to the County Tax Officers of the county in which the Eligible Housing Project is located, a copy of the Grant Agreement, the Project-Specific Ordinance or Resolution, and any other material the Sponsoring Jurisdiction considers necessary for the County

Tax Officers to perform their duties as required under sections 24 to 36 of SB 1537 (2024) or the Project-Specific Ordinance or Resolution.

## **10.5 Tax Exemption by County Assessors**

Upon receipt of a copy of the Grant Agreement and Project-Specific Ordinance or Resolution from the Sponsoring Jurisdiction, the County Tax Officer of the county in which the Eligible Housing Project Property is located shall:

1. Exempt the Eligible Housing Project Property from ad valorem property taxation in accordance with SB 1537 (2024);
2. Assess and tax the Nonexempt Property in the tax account as other similar property is assessed and taxed; and
3. Submit a written report to the Sponsoring Jurisdiction, setting forth the County Tax Officer's estimate of the amount of:
  - a. The real market value of the exempt Eligible Housing Project Property; and
  - b. The property taxes on the exempt Eligible Housing Project Property that would have been collected if the property were not exempt.

The exemption shall first apply to the first property tax year that begins after the completion of the Eligible Housing Project to which the Grant relates.

### **Exemption Disqualification**

The Eligible Housing Project Property shall be disqualified from the exemption on the earliest of:

1. July 1 of the property tax year immediately succeeding the date on which the Program Fee payment obligation under the Program that relates to the Eligible Housing Project is repaid in full;
2. The date on which the annual Program Fee imposed on the Fee Payer under the Program becomes delinquent;
3. The date on which foreclosure proceedings begin as provided by law for delinquent Nonexempt Taxes assessed with respect to the tax account that includes the Eligible Housing Project; or
4. The date on which a condition specified in section 33(1)-(2) of SB 1537 (2024) or Section 11.2 of this Manual occurs.

After the Eligible Housing Project Property has been disqualified from the exemption, the property shall be assessed and taxed as other similar property is assessed and taxed.

## **11. DEVELOPER'S PROJECT GRANT RESPONSIBILITIES**

### **11.1 General Responsibilities**

A Developer's responsibilities include, but are not limited to, the following:

1. Use the Grant Funds solely on Eligible Costs for the Eligible Housing Project;
2. Complete the Eligible Housing Project within three (3) years of the Grant disbursement date;
3. Comply with Program Requirements, which include:
  - a. Adhering to Affordability Requirements; and



- b. Developing a project that substantially aligns with the Project described in the Approved Application.
- 4. Not later than June 30 of each year in which a Grant Agreement is in effect, submit a report to the Sponsoring Jurisdiction in which the Eligible Housing Project is located that contains:
  - a. The status of the construction or conversion of the Eligible Housing Project, including an estimate of the date of completion;
  - b. An itemized description of the uses of the Grant Funds; and
  - c. Any information the Sponsoring Jurisdiction considers important for evaluating the Eligible Housing Project and the Developer's performance under the terms of the Grant Agreement; and
- 5. Make annual tax and Program Fee payments as required by law.

## **11.2 Developer Noncompliance**

- 1. A Developer that received a Grant shall become liable for immediate payment of any outstanding annual Fee payments for the entire term of the Fee if:
  - A. The Developer has not completed the Eligible Housing Project within three (3) years following the date on which the Grant Funds were distributed to the Developer, unless the Sponsoring Jurisdiction, in its sole discretion, has provided an extension of the completion date;
  - B. The Eligible Housing Project changes substantially from the Project for which the Developer's application was approved, such that the Project would not have been eligible for the Grant; or
  - C. The Developer has not complied with a requirement specified in the Grant Agreement.
- 2. If the Sponsoring Jurisdiction discovers that a Developer willfully made a false statement or misrepresentation or willfully failed to report a material fact to obtain a Grant with respect to an Eligible Housing Project, the Sponsoring Jurisdiction may impose on the Developer a penalty not to exceed 20 percent of the amount of the Grant so obtained, plus any applicable interest and fees associated with the costs of collection.
- 3. Any amounts due under subsection (1) or (2) under this Section 11.2 shall be a lien on the Eligible Housing Project Property and the Nonexempt Property in the tax account.
- 4. The Sponsoring Jurisdiction shall provide written notice of any amounts that become due under subsections (1) and (2) of this Section 11.2 to the County Tax Officers and OHCS.

## **12. COUNTY TAX OFFICERS' PROGRAM FEE COLLECTION RESPONSIBILITIES**

The collection of Program Fees associated with the MIRL Program is the sole responsibility of the County Tax Officer for each Sponsoring Jurisdiction. Program Fees will be collected through the normal property tax collection process.

### **12.1 Program Fee**

The Program Fee for the first property tax year in which a Program Fee is due consists of:

- 1. The portion of the Annual Increment that is attributable to the Eligible Housing Project Property to which the Fee relates;

2. The total administrative costs (for the Sponsoring Jurisdiction and the County Tax Officer) included in the Loan Amount divided by the term of the Grant Agreement; and
3. Fire District Fees (if applicable).

For each property tax year following the first property tax year in which a Program Fee is due, the Program Fee shall be equal to 103% of the prior year's Fee.

### **Fire District Fee**

After collecting the Fee, the County Tax Officer shall estimate the amount of operating taxes as defined in ORS 310.055 and local option taxes as defined in ORS 310.202 levied by fire districts that would have been collected on Eligible Housing Project Property if the property were not exempt, and shall distribute those amounts out of the collected Fee to the respective fire districts when other ad valorem property taxes are distributed under ORS 311.395.

The amount that remains after the County Tax Officer distributes any Fire District Fees out of the Program Fee is called the Net Program Fee. The County Tax Officer shall distribute the Net Program Fee to the Department.

NOTE: The total Program Fee amount due during the term of the Fee obligation will exceed the Grant Funds received by the Developer because the Program Fee also includes administrative costs for Sponsoring Jurisdictions and County Tax Officers.

## **12.2 County Tax Officer Responsibilities**

### **Commencement of Program Fee Collection**

Program Fee collection will begin as follows:

1. If an Eligible Housing Project is completed before July 1 of the assessment year, Program Fee collection and Loan Repayment shall begin with the property tax year that begins on July 1 of the assessment year.
2. If an Eligible Housing Project is completed on or after July 1 of the assessment year, Program Fee collection and Loan Repayment shall begin with the property tax year that begins on July 1 of the succeeding assessment year.

### **Program Fee Collection Process**

For each tax year that the Eligible Housing Project Property is exempt from taxation, the County Tax Officer shall:

1. Enter a notation of the assessment and tax rolls of the county stating:
  - a. That the Eligible Housing Project Property is exempt under section 30 of SB 1537 (2024); and
  - b. The presumptive number of property tax years for which the exemption is granted, which shall be the Loan Term that relates to the Eligible Housing Project;
2. Place the Program Fee amount on the assessment and tax rolls of the county;
3. Include on the tax statement of each tax account that includes exempt Eligible Housing Project Property the amount of the Program Fee imposed on the Fee Payer with respect to the Eligible Housing Project Property;
4. Collect the Program Fee from the Fee Payer;
5. Distribute out of the Program Fee any Fire District Fees to the respective fire districts when other ad valorem property taxes are distributed under ORS 311.395; and

6. Remit the Net Program Fee to OHCS in repayment of the Program Loan. Program Loans remain outstanding until repaid in full.

## **13. SPONSORING JURISDICTION'S REPORTING AND TRACKING REQUIREMENTS**

### **13.1 Program Loan Repayment**

The Sponsoring Jurisdiction shall notify OHCS and the County Tax Officer when an Eligible Housing Project has been completed and Certificate of Occupancy has been received.

Sponsoring Jurisdictions are responsible for the submission to OHCS, the County Tax Officer and the Developer of an updated "final" Amortization Schedule as part of the notification process once the Project has been completed and Program Fee payments are scheduled to begin. This will confirm Fee payment timelines and proper Fee amounts. Sponsoring Jurisdictions will submit their final Amortization Schedule to OHCS via their Procorem WorkCenter.

### **13.2 Annual Report to OHCS**

Not later than August 15 of each year, each Sponsoring Jurisdiction will submit a report to OHCS that includes information relating to Eligible Housing Projects within the Sponsoring Jurisdiction.

Required reporting information will be described in the Master Agreement, and will include, but not be limited to:

- Loans received by the Sponsoring Jurisdiction;
- Grants distributed by the Sponsoring Jurisdiction;
- Grants obligated to Developers but not paid yet by the Sponsoring Jurisdiction;
- Total Fees expected to be collected during full term of Program Fee obligation;
- Total Fees collected;
- Total delinquent Fees and Fee Payer information for delinquent Fees;
- Contact information of Developers;
- Contact information of Sponsoring Jurisdiction;
- Number of Projects/units funded by type (i.e. Rental, Homeownership);
- Number of Projects/units completed by type; and
- Other information as OHCS requires.

### **13.3 Program Loan Close-out**

#### **Repayment Amount**

It is likely that the Program Fee paid in the final year that a Fee payment is due will be in an amount that is greater than the outstanding amount owed to OHCS under the Loan Agreement. OHCS encourages Sponsoring Jurisdictions and County Tax Officers to establish a method to ensure that they do not make overpayments to OHCS. Fee amounts that exceed the amount owed to OHCS under the Loan Agreement must be distributed as normal tax collections would be distributed.

Any outstanding Loan Amount that has not been repaid when the Fee Payer has discharged its obligations in full remains the obligation of the Sponsoring Jurisdiction that received the Loan from OHCS.

NOTE: The Program Fee is based on an estimated taxable amount. An actual property assessment on the improvements will not have been done at the time the tax exemption terminates. Even with the 3 percent annual escalator, this may still mean that the ad valorem property taxes due on the improvements once the tax exemption ends are significantly different from the Program Fee.

## **Final Report**

At the end of the Fee payment period, the Sponsoring Jurisdiction must provide a final report to the Department with the information requested by the Department. This final report will assist OHCS in evaluating program effectiveness and achievement of goals. Developers are required to provide information requested by the Sponsoring Jurisdiction or the Department.

## **Reporting and Audits**

OHCS may audit the Sponsoring Jurisdiction regarding a Program Loan for a period of 6 years beyond the date a Program Loan is repaid.

## **13.4 Tax Exemption Ends**

Unless terminated earlier due to one of the reasons specified in section 30(2)(b) of SB 1537 (2024), the tax exemption associated with the Eligible Housing Project under the Program will terminate on July 1 of the property tax year immediately succeeding the date on which the Program Fee obligation is paid in full. Each County Tax Officer is responsible for determining a process to ensure that change is reflected in subsequent property tax years. After the Eligible Housing Project Property is disqualified from the tax exemption, it shall be assessed and taxed as other similar property is assessed and taxed.

# **14. OTHER PROGRAM CONSIDERATIONS**

## **14.1 Equity in Contracting**

The Department encourages Sponsoring Jurisdictions to consider requiring Developers to identify approaches and / or targets for contracting with Minority, Women, and / or Emerging Small Businesses (MWESB) contractors/subcontractors in the construction and operation of the proposed Project, whenever appropriate. OHCS also encourages Sponsoring Jurisdictions to include this in any tracking in their annual reporting. This is not a requirement but is considered a “best practice” around equitable construction.

OHCS encourages Sponsoring Jurisdictions to consider how to utilize their Program Loans in a way that ensures access and benefits to populations that are historically underserved. As housing providers and advocates continue to work hard to unravel 200 years of discriminatory practices in our country, all new programs should be implemented with a lens of equity and inclusion.

## **14.2 Misrepresentation and Fraud**

OHCS, in its sole discretion, may exercise any and all remedies available to it in the event that a Developer engages in misrepresentation or fraud in any stage of the MIRL Program.

## 14.3 Project Changes

In each Grant Agreement, Sponsoring Jurisdictions should require notification in writing from Developers and should require that Developer obtain the Sponsoring Jurisdiction's prior written consent to, any material change to a Project receiving a Project Grant. Developers should notify the Sponsoring Jurisdiction promptly when a material change is first identified. The Grant Agreement should set forth the Sponsoring Jurisdiction's ability to provide or withhold its consent, or condition its consent, in its reasonable discretion.

For the purposes of this Program, OHCS suggests that *material change* means a change in or relating to the business, operations or use of capital provided by the Sponsoring Jurisdiction that taken as a whole would reasonably be expected to have a significant effect on the Project budget, housing type or population served, and includes a decision to implement such a change made by the principal or board of directors of the Developer.

### Remedies

The Grant Agreement should provide that a Sponsoring Jurisdiction will determine whether a change in a Project is material and should provide that the Sponsoring Jurisdiction's determination is final. The Grant Agreement should specify which remedies the Sponsoring Jurisdiction will offer if it determines that a change in a Project is material.

Remedies could include repayment of some or all Grant Funds, changes to the Project to align more closely with the Provisionally Approved Application, or any other option as determined by the Sponsoring Jurisdiction. If a Project changes so substantially that it would no longer be eligible for the Grant, the Developer will become liable for immediate payment of any outstanding Program Fee payments.

Any material Project changes that occur after a Grant Agreement is executed are not eligible for a new Grant. Improvements made that are not funded by the MIRL Program are subject to normal taxation.

NOTE: Changes to a Provisionally Approved Application may not be made once a Program Loan Request has been submitted to OHCS.

## 14.4 Programming of Loan Repayments

The Department will recycle Program Funds as quickly as they are received to the greatest extent possible. As Program Loans are repaid, OHCS will issue new Loans based upon the standards set forth in this Manual.

## 14.5 Administrative Requirements

### Inappropriate Use of Funds

A Sponsoring Jurisdiction or Developer's use of Program Funds in a manner that is inconsistent with Program Requirements may result in OHCS pursuing a return of Program Funds, initiating a breach of contract claim, or pursuing any and all other remedies available to OHCS.

## **No Representation or Warranty**

If OHCS tentatively reserves Program Funds for a Project or approves a Project (subject to execution of a Loan Agreement with the Sponsoring Jurisdiction), that 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.

OHCS resources are subject to various state and federal regulations governing the specific program from which they are obtained, and Sponsoring Jurisdictions and Developers are responsible for the determination of their Project's eligibility and compliance with all Program Requirements.

## **Public Records**

Materials and information submitted to OHCS are subject to public disclosure unless otherwise exempt from disclosure under ORS 192.355 or any other provision of the Oregon Public Records Law. OHCS provides no assurance that any materials provided to the Department can be protected from public release.