Oregon Housing & Community Services
Homeownership Development
General Contractor and Vertical Integration Policy

OHCS Homeownership Development recognizes the benefits that vertical integration of general contracting can provide our partners, from lower costs and better quality control to more efficient timelines. However, Article XI-Q bonds are restrictive in their use, and the support that LIFT can provide this vertical integration is limited. To provide the best support and clear guidance for partners looking to expand their services while also following responsible bond and funding practices, the Homeownership Development team is adopting the following policies on General Contractors (GC), draws, and profits:

1. **Organizations Hiring Unrelated Third-Party General Contractors**
    a. Unrelated third-party contractors may receive a combined profit, overhead and general conditions amount of up to fourteen percent (14%) of construction costs plus site work or the amount listed in the applicable NOFA if present.
    b. Draw requests including payment for GC services must include an invoice from the GC including the GC fee.
    c. The Applicant or Project Owner may not request any direct labor costs.

2. **Organizations with Related General Contractors**
    a. Applicants and partners are required to disclose any existing interests between the general contractor and the applicant or project ownership entities.
    b. When the general contractor is a Principal, Related Party or otherwise has an Identity of Interest with the Applicant or Project Owner, OHCS will limit the general contractor's combined profit, general conditions and overhead to an amount up to ten percent (10%) of total construction costs plus site work or the amount listed in the applicable NOFA if present.
    c. Draw requests including payment for GC services must include an invoice from the GC including the GC fee.
    d. The Applicant or Project Owner may not request any direct labor costs.

3. **Organizations Establishing a Separate Legal Entity for General Contracting**
    a. Organizations looking to bring GC in-house may elect to establish a separate entity to serve as its own GC. To qualify under this section, the entity must be registered with the Secretary of State, have its own EIN or Tax ID and report separately to the IRS, and be legally permitted to serve as a GC in the state of Oregon.
    b. Contractors qualifying under this section may include combined profit, general conditions and overhead to an amount up to ten percent (10%) of total construction costs plus site work or the amount listed in the applicable NOFA, if present.
    c. Draw requests including payment for GC services must include an invoice from the GC including the GC fee.
    d. The Applicant or Project Owner may not request any direct labor costs.

4. Organizations Serving as Their Own General Contractor Without Establishing a Separate Entity

a. Organizations without a separate entity, or whose separate entities are considered disregarded by the IRS, may not request a percentage fee. These organizations may instead submit for reimbursement for direct construction costs. These costs must only include construction labor at the project site at a reasonable hourly cost and may not include any administrative expenses.

b. Draw requests for labor must be substantiated by a payroll document showing billing to a project code dedicated to the awarded project.