

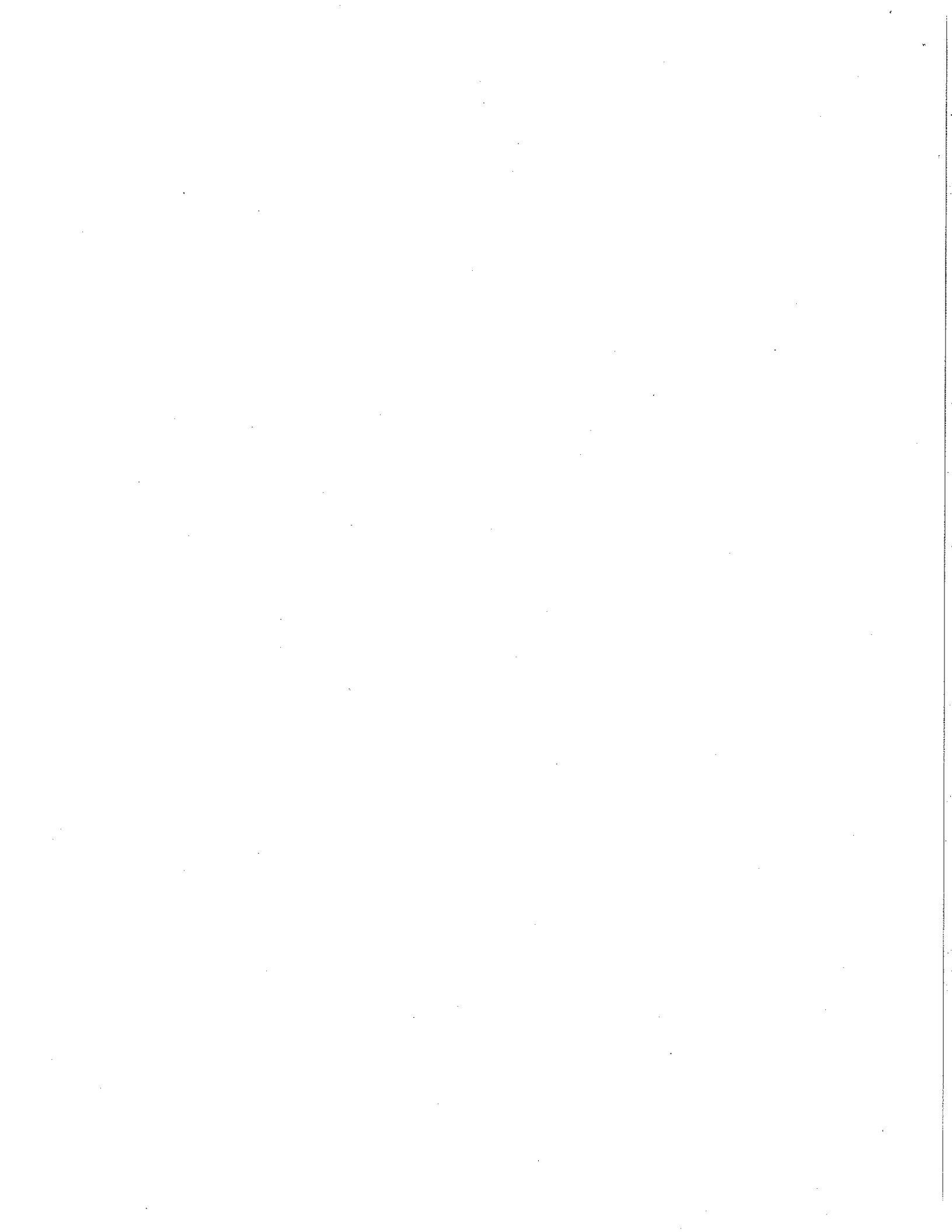
Agenda

Partner Discussion on Stimulus Funds

March 27, 2009

9:00-12:00

- I. Overview (5 minutes)
- II. Big Look at Stimulus and OHCS (30 minutes)
- III. Program Requirements as we know them today (60 Minutes)
 - Tax Credit Assistance Program (Betty Markey)
 - Tax Credit Exchange Program (Mariana Negoita)
 - Neighborhood Stabilization Programs I and II (Dona Lanterman and Beck Baxter)
 - Weatherization (Dan Elliott)
 - Homeless Prevention (Rainy Gauvain)
 - Community Services Block Grants (Lynn Adams)
 - AmeriCorps (Pegge McGuire)
- IV. Program Priorities and Preferences (80 minutes)
 - Tax Credit Assistance Program, Tax Credit Exchange Program, Neighborhood Stabilization Program (50 minutes)
 - Community Resources Division Programs (30 Minutes)
- V. Next steps (10 minutes)



TAX CREDIT ASSISTANCE AND EXCHANGE IMPLEMENTATION

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OHCS will follow ARRA requirements and OHCS priorities and preferences (listed below) for distributing Tax Credit Assistance Program (TCAP) and Low-Income Housing Tax Credit Exchange (LIHTX) funds.

Funding will be directed to both urban and rural projects. Earliest awarded tax credit projects will be evaluated first for possible additional funding. OHCS will determine whether TCAP or LIHTX funds (or both) are most appropriate for any additional funding. OHCS will assess charges as appropriate in administering all ARRA funding. OHCS will also determine whether awarded LIHTC credits must be returned before receiving additional ARRA funding. (The return of credits does not guarantee a like amount of ARRA funds – or funding at the 85 cent level.)

ARRA TCAP FUNDING REQUIREMENTS (DIVISION A)

Federal requirements related to fair housing, non-discrimination, labor standards and environmental review apply to projects receiving TCAP funds.

Projects must be able to meet these requirements within the funding timelines.

(Some projects may currently have federal funds with these requirements.)

ARRA TCAP REQUIREMENTS

1. OHCS will distribute TCAP funds competitively and according to its qualified allocation plan.
2. Projects awarded low income housing tax credits in federal fiscal years 2007, 2008, or 2009 (10-1-06 to 9-30-09) are eligible for funding, but OHCS will give priority to projects that are expected to be completed by February 2012.
3. TCAP funds are for projects with anticipated completion within 3 years.
4. Seventy-five percent of TCAP funds must be committed by February 2010, 75 percent must be expended by February 2011, and 100 percent of the funds must be expended by February 2012.
5. Projects using TCAP are subject to the same rent, income and use restrictions as LIHTC projects.
6. OHCS shall perform asset management functions at owner's expense to ensure compliance with section 42 of the Internal Revenue Code.

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TAX CREDIT ASSISTANCE AND EXCHANGE IMPLEMENTATION

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ARRA LIHTX FUNDING REQUIREMENTS (DIVISION B)

OHCS is still seeking clarification on whether projects receiving LIHTX will be required to meet ARRA federal requirements such as environmental review (within project timelines) and federal Davis-Bacon prevailing wage requirements.

(Note that similar requirements may apply due to other federal funds awarded to the project.)

ARRA LIHTX PROGRAM REQUIREMENTS

1. ARRA authorizes OHCS to trade in up to 40 percent of the federal fiscal year 2009 (per capita and pool) LIHTC credit authority and up to 100 percent of any unused or returned federal fiscal year 2007 and 2008 LIHTC credits for a maximum of 85 cents on the dollar for grants to fund acquisition, construction or rehabilitation of qualified low-income buildings. ARRA does not permit the exchange of federal fiscal year 2010 credits.
2. Grants may be awarded to qualified buildings with or without an allocation of LIHTC credits. For projects without LIHTC credits, OHCS must demonstrate that such projects would increase the total funds available for construction and rehabilitation of affordable housing, and project applicants must demonstrate good faith efforts to obtain investment commitments.
3. Projects receiving exchange funding are subject to the same limitations (including rent, income, and use restrictions on buildings) as an allocation of LIHTC credits.
4. Grants must be used before January 1, 2011. Any unused grants must be returned to the Secretary of the Treasury.
5. OHCS must perform asset management functions to ensure compliance with section 42 of the Internal Revenue Code of 1986 and the long-term viability of buildings funding with exchange funds. OHCS may collect reasonable fees from exchange fund recipients to cover expenses associated with these asset management functions.
6. Treasury is expected to issue guidance / rules on the LIHTX exchange process.

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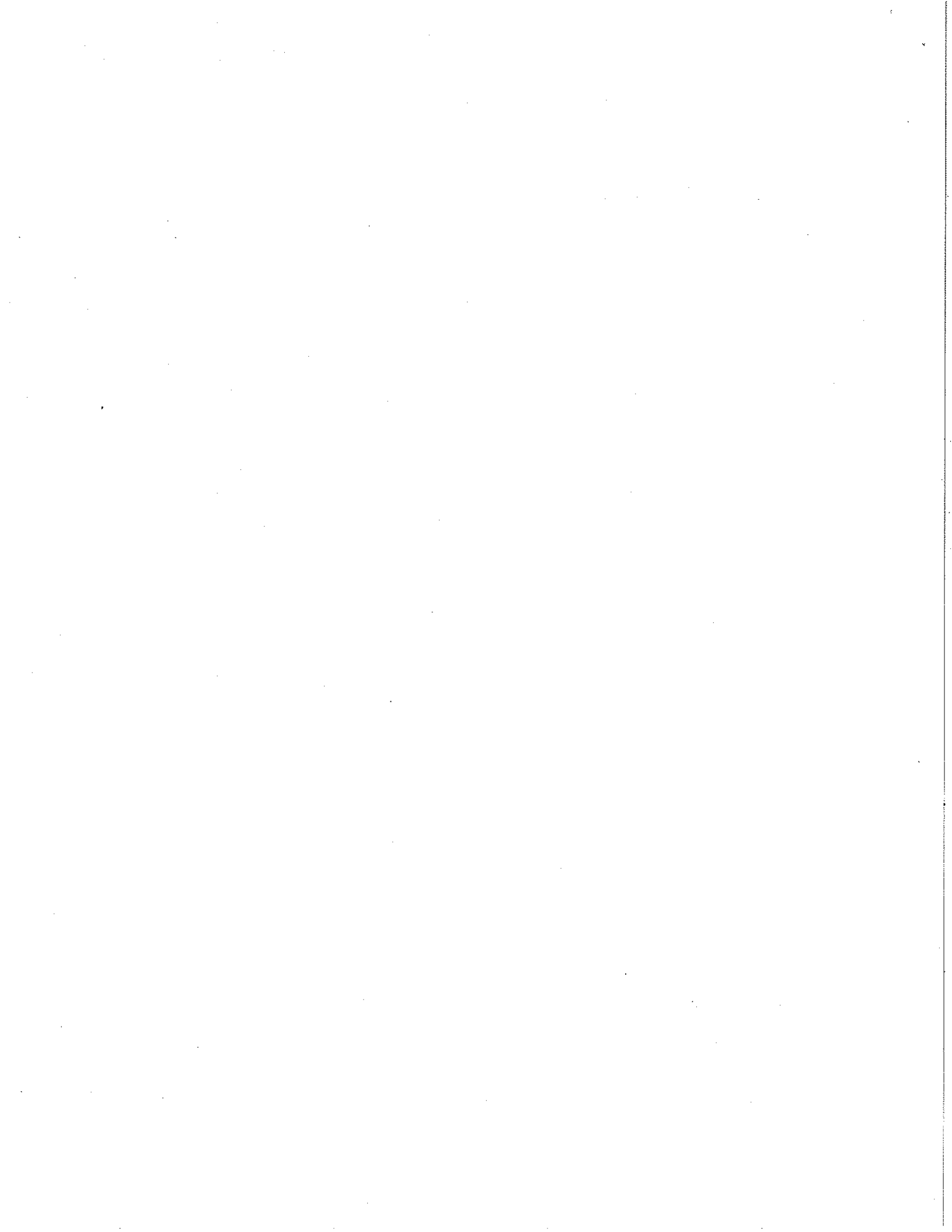
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OHCS PRIORITIES (Priorities are not listed in any particular rank order of importance)

1. Priority will be given to projects that have an immediate stimulus impact.
2. Priority will be given to the preservation of existing housing - projects with an existing federal contract for project-based rental assistance.
3. Priority will be given to projects with equity investors.
4. TCAP and LIHTX funding will be used to bridge final gaps in funding – and is consequently not available for projects placed in service.
5. TCAP and LIHTX funding will not be given to projects with closed partnerships.
6. TCAP and LIHTX funds will not to be used for cost overruns.
7. OHCS will evaluate projects with a current award of LIHTC, for eligibility for TCAP or LIHTX – before awarding LIHTX or TCAP to new projects.

OHCS PREFERENCES

1. Use TCAP and LIHTX funding first to bridge equity gaps necessary for projects to proceed.
2. Where appropriate subject to ARRA program regulations, maximize resources for the entire pipeline by recovering HOME, Trust Fund, tax credits or other resources in certain situations.



NEIGHBORHOOD STABILIZATION PROGRAM II

ARRA allocated an additional \$2 billion to Housing and Urban Development (HUD) for the Neighborhood Stabilization Program. The NSP I eligible activities will remain basically the same. The program requirements outlined below are in addition to requirements and eligible activities outlined in the HUD regulations for NSP I. ***It is important to remember that for both NSP I and NSP II, ONLY properties that are within the targeted block groups, as defined by HUD, and have been abandoned or foreclosed upon are eligible for NSP funds.***

Unlike NSP I, NSP II funds will be awarded through a competitive process. Eligible entities will be States, units of local government and nonprofit entities or consortia of nonprofit entities, which may submit proposals in partnership with for profit entities. HUD will award funds based on areas with the greatest number and percentage of foreclosures and, according to ARRA, "shall include demonstrated grantee capacity to execute projects, leveraging potential, concentration of investment to achieve neighborhood stabilization, and any additional factors determined by the Secretary of Housing and Urban Development."

The HUD Notice of Funding Availability (NOFA) is expected to be published by May 3, 2009. Application deadline is anticipated to be on approximately July 15, 2009. This timeline may be moved up. HUD has not released official guidance on ARRA NSP (NSP II) therefore this information is subject to change pending HUD regulations.

Five Eligible Activities:

Activity	Activity Name	Use
1	Financing Mechanisms	Assist buyers with the purchase and rehabilitation of homes that have been abandoned or foreclosed upon.
2	Purchase and Rehabilitate Homes	Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed in order to sell or rent.
3	Establish land banks	OHCS land bank activity for homes that have been foreclosed upon. Vacant land and non-residential land is not eligible.
4	Demolish blighted structures	Demolish blighted structures.
5	Redevelop demolished or vacant properties	Redevelop demolished or blighted properties. Redevelopment of properties is limited to the development of residential housing.

NSP II Program Requirements

1. Grantees must expend 50% of the allocated funds within two years.
2. Grantees must expend 100% of the allocated funds within three years.
3. The clock starts once funds are made available to the grantee.

4. No NSP funds may be used to demolish any public housing.
5. No more than 10% of NSP funds can be used for demolition unless specific authority received from HUD secretary.
6. Funds will be awarded to sub-recipients through a Request for Proposal (RFP) process. Scoring criteria will mirror the requirements published by HUD and will take into consideration those entities that have the capacity to obligate and expend the funds within the required timeframe.

OHCS Priorities and Preferences – since the intent of both NSP I and NSP II funds is to stabilize neighborhoods and HUD is providing very specific guidelines and requirements for the expending of funds, OHCS does not anticipate imposing further priorities at this time.

Basic Differences between NSP I and NSP II

NSP I	NSP II
Direct Allocation to State.	Competitive Process – eligible applicants include States, units of general local government, and non-profit entities or consortia of non-profit entities (which may submit proposals in partnership with for profit entities).
Eighteen months to obligate; four to ten years to expend (depending on activity).	Twelve months to obligate; up to two years to expend 50% of funds; up to three years to expend 100% of funds.
	No NSP funds may be used to demolish any public housing.
Up to 10% Administration income.	Up to 1% Administration income.
	No more than 10% of NSP funds can be used for demolition unless specific authority received from HUD secretary.
At least 25% of the entire allocation must be used for individuals at or below 50% Area Median Income (AMI).	At this time we assume same programmatic requirements.