

Subsidy Layering Review Guidelines & Application

In 2010, HUD granted the Ohio Housing Finance Agency (OHFA) the authority to complete Subsidy Layering Reviews (SLR). Public Housing Authorities (PHA) SLR Applicants may choose whether to complete this review through OHFA or through HUD. OHFA's priority will be to complete this review for PHA SLR applicants concurrent with the review of the final application for Low Income Housing Tax Credits (LIHTC). In addition, only PHA SLR applicants that can provide a complete SLR Application with their final LIHTC Application should apply through OHFA.

The Director of Planning, Preservation & Development may consider completing a SLR for applicants who have already completed the review of the final LIHTC application, but have not yet placed in service. The Director will consider project specific circumstances. These types of reviews will require a SLR application fee of \$2,000 as they are more time consuming and OHFA will need to consider any changes that have occurred since the LIHTC final application underwrite.

For OHFA to complete the SLR, the project must receive a new Section 8 Project-Based Voucher Housing Assistance Payments Contract (assistance provided under Section 8(o)(13) of the U.S. Housing Act of 1937 (42 U.S.C. 1437f)) and apply for LIHTC. Only PHAs may request OHFA to complete the SLR.

PHA SLR applicants must adhere to both OHFA's Qualified Allocation Plan and Underwriting Guidelines effective the year of allocation or award and HUD SLR Guidelines. OHFA will make public, and automatically adopt, any procedural or regulatory changes enacted by HUD pertaining to SLRs.

Pursuant to the HUD SLR Guidelines (Federal Register / Vol. 79, No. 187 / Friday, September 26, 2014 / Notices pg. 57959), there are two categories of reviews. OHFA will only complete Category 1 reviews.

Category 1: OHFA will consider the proposed project-based voucher assistance during its underwriting review for an allocation or award of LIHTC. The majority of documents needed to complete the SLR will be included with the final application for LIHTCs. OHFA will be complete the SLR during the final application review and respond to the PHA before issuance of the Carryover Allocation Agreement or for Multifamily Bond projects, Letter of Eligibility.

The application fee for a Category 1 review when the SLR application is submitted with the final LIHTC Application is \$1,000.

Submission Requirements

The PHA SLR Applicant must request an SLR by:

1. Submitting a SLR application that complies with Federal Register / Vol. 79, No. 187 / Friday, September 26, 2014 with the LIHTC final application.
Submitting the following items to request a SLR:

- a. a hard copy of the required cover letter (see item 15 below),
- b. the required fee,
- c. all required documentation on a separate disk, simultaneously with the LIHTC application, and
- d. include a PDF of the cover letter on the disk for the LIHTC application.

Timing and Process

The SLR will occur during the final underwrite completed for the allocation of the LIHTCs. OHFA will release the SLR Certification letter and LIHTC Reservation letter at the same time.

Items listed under **DOCUMENTS TO BE SUBMITTED BY THE PHA TO OHFA FOR SUBSIDY LAYERING REVIEWS** are required per Federal Register / Vol. 79, No. 187 / Friday, September 26, 2014 / Notices pg. 57959. Under each of those items, OHFA provided guidance, including the format and file name of each item.

Project Name:

PHA Contact Person:

PHA Contact Email:

Owner Contact Person:

Owner Contact Email:

The PHA is responsible for collecting all required documentation from the owner and providing OHFA with all documents required for the SLR. The documents must be forwarded to OHFA with a cover letter. If the initial submission to OHFA is incomplete, OHFA is in need of further documentation, or if new information becomes available, the PHA must provide the documentation to OHFA during the review process.

DOCUMENTS TO BE SUBMITTED BY THE PHA TO OHFA FOR SUBSIDY LAYERING REVIEWS

1. Narrative description of the project.

This should include the total number of units, including bedroom distribution. If only a portion of the units will receive project-based voucher assistance, this information is needed for both the project as a whole, and for the assisted portion.

OHFA Specific Requirements: Provide a narrative in the space that follows, include the required information. Make sure the narrative is consistent with the AHFA.

Enter Narrative Here

2. Sources and Uses of Funds Statement

- **Sources:** List each source separately, indicate whether loan, grant, syndication proceeds, contributed equity, etc. Sources should generally include only permanent financing. If interim financing or a construction loan will be utilized, details should be included in a narrative (item 3 below).
- **Uses:** Should be detailed. Do not use broad categories such as “soft costs.” Acquisition costs should distinguish the purchase price from related costs such as appraisal, survey, titled and recording, and related legal fees. Construction and rehabilitation should include builder’s profit and overhead as separate items.

OHFA Specific Requirements: Submit the AHFA. Fill out each source and use completely. Include all current projected costs and permanent financing sources (loan, grant, syndication proceeds, equity, deferred fees, etc.) Ensure the information is consistent with the narrative. Name the file AHFA.xls

3. Narrative describing details of each funding source.

For loans, details should include principle, interest rate, amortization, term, and any accrual, deferral, balloon or forgiveness provisions. If a lender, grantor, or syndicator is imposing reserve or escrow requirements, details should be included in the narrative. If a lender will receive a portion of the net cash flow, either as additional debt service or in addition to debt service, this should be disclosed in the narrative.

OHFA Specific Requirements: Provide a narrative in the space provided, bullet each construction and permanent source including hard, soft and forgivable debt. Include all the required information and ensure that the narrative is consistent with the AHFA.

Enter Narrative Here

4. Commitment Letters from lenders or other funding sources evidencing their commitment to provide funding to the project and disclosing significant terms.

Loan agreements and grant agreements are sufficient to meet this requirement. However, proposal letters and letters of intent are not sufficient to meet this requirement.

OHFA Specific Requirements: If a loan or grant agreement is provided, it must be fully executed. Each source must have a commitment including any deferred developer fee or seller notes. Each letter must indicate the rate, term, amortization, fees and any reserve requirements or penalties associated with the funding. Commitment letters must be firm and without conditions for approval; however, closing conditions are acceptable. Commitment letters will not be accepted if they dated more than 6 months before we receive the application. Name the file. 4. Commitments.pdf

5. Appraisal Report.

The appraisal should establish the “as is” value of the property, before construction or rehabilitation, and without consideration of any financial implications of tax credits or project-based voucher assistance. An appraisal establishing value after the property is built or rehabilitated is not acceptable unless it also includes an “as is” valuation.

OHFA Specific Requirements: In addition to the above requirements, the appraisal must also meet OHFA Appraisal requirements as indicated in the most recent Underwriting Guidelines. Name the file 5. Appraisal.pdf

6. Stabilized Operating Pro Forma.

Should include projected rental, commercial, and miscellaneous income, vacancy loss, operating expenses, debt service, reserve contributions, and cash flow. The analysis must be projected over a 15 year period. Income and expenses must be trended at ____ percent. (See OHFA Specific Requirements below)

OHFA Specific Requirements: Submit the AHFA. Income and expenses must be trended at the percent indicated in the most recent Underwriting Guidelines. Include all required information. This file is submitted under item 2, as listed above. The project must meet all tests listed in Section VII of the HUD SLR Guidelines.

7. Tax Credit Allocation Letter.

Issued by the State tax credit allocation agency, this letter advises the developer of the amount of LIHTCs reserved for the project.

OHFA Specific Requirements: For 4%, Non Competitive Applications, OHFA will save a copy of the 42(m) Letter in the file if the project receives LIHTC. For 9% Competitive Projects, provide a signed copy of the Reservation Letter with the final application. Name the file 7. Allocation Letter.pdf

8. Historic Tax Credits.

Some projects in designated historical districts may receive an additional one time historic tax credit. When applicable, the amount of the historic tax credit should be disclosed.

OHFA Specific Requirements: Submit a commitment letter from the syndicator for the historic credits, make sure the information is consistent with the AHFA. Name the file 8. Historic.pdf

9. Equity Contribution Schedule.

If equity contributed to the project will be paid in installments over time, a schedule should be provided showing the amount and timing of planned contributions.

governmental subsidy, I hereby certify that the Section 8 project-based voucher assistance provided by the United States Department of Housing and urban Development to [Project] located in [City], Ohio, is not more than is necessary to provide affordable housing after taking into account other government assistance.

The PHA is required to notify OHFA of material changes to the project sources, uses, and/or operations, as set forth in the HUD SLR Guidelines. OHFA may be required to re-evaluate the SLR should significant material changes be incurred in scope and costs of the project.

Please direct questions to Doug Armitage at darmitage@ohiohome.org.

The PHA is responsible for collecting all required documentation from the owner and providing OHFA with all documents required for the SLR. The documents must be forwarded to OHFA with a cover letter (list item15). If the initial submission to OHFA is incomplete, OHFA is in need of further documentation, or if new information becomes available, the PHA must provide the documentation to OHFA during the review process.

If the PHA does not submit the information requested by OHFA in a timely manner, OHFA will return the application to the PHA and will not complete the SLR.

General Requirements % of construction contract: _____

must not exceed 6%

Contractor Overhead % of construction contract: _____

must not exceed 2%

Contractor Profit % of construction contract: _____

must not exceed 6%

Developer Fee % of total project cost: _____

must not exceed 15%

15-year Hard Debt Coverage Ratio: _____

1.10 minimum and 1.45 maximum

(calculate by taking average of Hard DCR for years 1 through 15 of stabilized period –see AHFA)

15-year Cash Flow test percentage: _____

must not exceed 10%

(calculate by taking sum of cash flow for years 1 through 15 of stabilized period divided by sum of operating expenses for years 1 through 15 of stabilized –see AHFA)

Public Housing Authority:

Authorized PHA Representative Name:

Authorized PHA Representative Signature

Date