2009

Housing Credit Program

Qualified Allocation Plan

DRAFT

Ohio Housing Finance Agency
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I. GENERAL PROGRAM INFORMATION

A. Introduction

The Housing Credit (also know as the Low-Income Housing Tax Credit) is a tax incentive program designed to increase the supply of quality affordable rental housing. These federal income tax credits offset the building acquisition, new construction, or substantial rehabilitation costs for rental housing developments. Since 1987, the Ohio Housing Finance Agency (OHFA) has used the Housing Credit Program to facilitate the development of over 75,000 affordable rental housing units in Ohio.

The Internal Revenue Service (IRS) regulations for the Housing Credit Program can be found under Section 42 of the Internal Revenue Code (IRC). It is the responsibility of the applicant to be knowledgeable of Section 42 of the IRC, regulations and administrative documents (rulings, notices, and procedures), and all relevant materials published by the IRS. OHFA strongly encourages all applicants to seek experienced legal and accounting advice in order to comply with all program requirements.

The Qualified Allocation Plan (QAP), described under Section 42(m) of the IRC, contains OHFA's procedures and policies for the distribution of the state's allocation of Housing Credits. The QAP may be subject to change, pending developments in federal and state legislative requirements and/or OHFA policy.

B. Description of the Housing Credit

The Housing Credit was created by Congress in 1986, replacing earlier federal tax incentives for the development of affordable rental housing.

Housing Credits are used to offset an individual or corporation's federal income tax liability. The amount of Housing Credit received can be subtracted on a dollar-for-dollar basis from the federal income tax liability.

The Housing Credit is received each year for 10 years - the period the taxpayer claims the Housing Credit on his/her federal income tax return. The owner must maintain income and rent restrictions continuously for 15 years - this is the compliance period. Additionally, the owner must enter into an extended use period of an additional 15 years by filing a Restrictive Covenant on the project with the County Recorder.

The taxpayer may claim the Housing Credit beginning either with the taxable year in which the building is placed-in-service, or in the following year at the owner's election (or OHFA's determination, if necessary). The allocated Housing Credit amount taken by the taxpayer is based on the portion of the building occupied by low-income residents at the end of the first year of the Housing Credit period.

C. Federal Program Requirements

The following are brief descriptions of the federally-mandated program requirements. The list does not include all rules and requirements. Applicants should refer to Section 42 of the IRC for more information.

Income Targeting. A project qualifies for the Housing Credit if at least 20% of the project is occupied by households with incomes at or below 50% (20/50 projects) of the Area Median Gross Income (AMGI) or at least 40% of the project is occupied by households with incomes at or below 60% (40/60 projects) of the AMGI. The AMGI limits are published annually by the U.S. Department of Housing and Urban Development (HUD) (see Exhibit A). Incomes are adjusted by household size. OHFA has provided the income limits by county.

Rent Restriction on Units. The rent limits are based on the income limits and the number of bedrooms in a unit. Rent subsidies paid on behalf of the resident (such as Section 8 program payments) and overage defined by the USDA Rural Development (RD) 515 program are not included in gross rent calculations. Gross rent includes a utility allowance for the utilities paid by the resident.

In order to assure the units are rented at the specified level elected at application, OHFA requires owners to file a Restrictive Covenant in the County Recorder's office where the project is located. The Restrictive Covenant details the restrictions on rent, as well as the term of affordability. Furthermore, the Restrictive Covenant also includes restrictions on the income levels the project is targeting per the election the owner selects on the application.

Utility allowance information is obtained from HUD or the Public Housing Authority in the county where the project is located, or based upon any policies and procedures established by OHFA. Please refer to Treasury Regulation 1.42-10 for more information. For a USDA RD 515 project, the utility allowance can be obtained from the Rural Development office.

Extended Low-Income Use. Income and rent limitations must be maintained for a minimum period of 15 years and through the extended use period, which is an additional 15 years. Project owners must enter into an extended low-income use agreement with OHFA.

IRS Revenue Ruling (2004-82) indicates that residents of a project that received Housing Credits may not be evicted without good cause. OHFA intends to enforce this restriction along with all other IRS compliance regulations. The definition of good cause may be found at 24 CFR § 247.3 of the Code of Federal Regulations.

Safe, Decent, & Sanitary Housing. All projects must meet applicable building codes promulgated by the Ohio Board of Building Standards and local governmental agencies.

"No More Credit Than Necessary". Section 42 of the IRC mandates that state housing finance agencies ensure the amount of Housing Credits awarded to a project is the minimum amount necessary for the project to be placed in service as affordable rental housing. OHFA completes this designated task by underwriting every project receiving Housing Credits.

Civil Rights Compliance. It is the responsibility of the owner/developer/borrower and any of its employees, agents or sub-contractors in doing business with OHFA to adhere to and comply with all Federal Civil Rights legislation, inclusive of the Fair Housing Laws, Section 504 of the Rehabilitation Act of 1973, and the Americans With Disabilities Act, as well as any state and local Civil Rights legislation along with any related codes and laws. Should OHFA not specify any requirements, such as design, it is nonetheless the owners' responsibility to be aware of and comply with all non-discrimination provisions relating to race, color, religion, sex, handicap, familial status and national origin. This includes design requirements for construction or rehabilitation, Equal Opportunity in regard to marketing and resident selection and reasonable accommodation and modification for those residents covered under the Laws. OHFA has provided a brief guide to federal accessibility requirements (see Exhibit M).

D. Eligible Uses of the Housing Credit

The Housing Credit can be used to offset the cost of acquiring, substantially rehabilitating, and/or constructing residential rental housing to be occupied by low-income individuals and families. These units must be available to the general public and have initial leases of six months or longer.

Costs to develop the low-income units become the building's eligible basis. The Housing Credit can be allocated to common areas as long as these facilities are provided to all residents without additional fees or charges. It is important to note that units created solely for occupancy by the manager, maintenance personnel and/or security guard are considered common space.

The applicable fraction multiplied by the eligible basis becomes the project's qualified basis. The applicable fraction is defined as the lesser of (a) the number of low-income units divided by the total number of units (unit fraction) or (b) the amount of low-income unit square footage divided by the total amount of residential unit square footage (floor-space fraction). Low-income units are defined as units occupied by households with incomes at or below 50% or 60% of AMGI, depending on the minimum set-aside selected by the owner.

Qualified basis is the product of the eligible basis multiplied by the applicable fraction. The applicable Housing Credit percentage (commonly referred to as the 9% and 4% Housing Credit rate) is the percentage used to determine the annual Housing Credit amount by multiplying it by the total qualified basis. The Housing Credit rates fluctuate from month to month, and the IRS publishes the new rates monthly. A recipient of Housing Credits may "lock-in" the Housing Credit rates upon entering a Binding Reservation Agreement with OHFA, or use the rates in effect at the date each building is placed into service.

The following types of projects are eligible for Housing Credits:

- **Acquisition/Substantial Rehabilitation.** Housing Credits are available for the acquisition and substantial rehabilitation of a building. The 4% Housing Credit rate is applied to the acquisition basis. Generally, the 9% (or 4% in certain circumstances) Housing Credit rate is applied to the substantial rehabilitation basis. The property cannot have been placed in service within 10 years prior to acquisition. In addition, capital improvements on the building are not eligible cost items if within the previous 10 years, major capital improvements have been made to the building. The new buyer or related entity cannot currently own the building; however, 10% of the ownership may remain unchanged.

- **Substantial Rehabilitation only.** The Housing Credit may be claimed on the basis of costs incurred for the substantial rehabilitation of a property without claiming credit on the acquisition basis of the project.

- **New Construction.** Housing Credits at the 9% (or 4% in certain circumstances) Housing Credit rate are available for the eligible costs to construct a new building or buildings.

Ineligible Costs. Certain project costs are not subject to inclusion into eligible basis upon which the Housing Credits are derived. These include:

1. Commercial Building Costs.
2. Land.
3. Permanent Financing Fees.
4. Reserves.
5. Off-Site Improvements.
6. Syndication Expenses (including legal, accounting, and bridge loan interest).
7. Any expense that cannot be depreciated with the building.
8. OHFA Application, Reservation, & Compliance Fees.
9. In-kind contributions to a project.

This list is not inclusive of all costs that may be ineligible for Housing Credits. Please refer to Section 42 of the IRC for more information.

The Housing Credit is not available for any of the following facilities: hospitals, nursing homes, sanitariums, lifecare facilities, retirement homes (if providing significant services other than housing are mandatory for residents), employer housing, mobile homes and student housing. Factory-made housing that is permanently fixed to real property may qualify for the Housing Credit. Congregate care facilities may be eligible if the “additional supportive services” are provided to the resident as a voluntary option and the resident is not charged mandatory fees for those services. Please refer to Section 42 of the IRC for more information.

The costs of constructing or rehabilitating a community service facility (such as a daycare building) located in a qualified census tract may be included with the eligible basis of a Housing Credit project. These additional costs cannot exceed 25% of the eligible basis on the first $15 million of a project, with 10% thereafter. All community service facilities that are part of the same qualified project shall be treated as one facility. A community service facility must be designed to serve primarily individuals, not necessarily residents of the project, whose incomes are 60% or less of the AMGI. Please refer to IRS Revenue Ruling 2003-77 for more information.

E. Policy Statements

OHFA will utilize the Housing Credit Program to create sustainable affordable housing (both financially and physically) by distributing resources through a transparent allocation process that addresses the mandates of the law, the needs of our primary customers and respects the interests of our stakeholders. Primary customers include low- and moderate-income residents, the development community, and owners of existing Housing Credit properties.

The following policy statements have been developed using input and feedback from OHFA Board members, program stakeholders, and primary customers, as well as the expertise of our staff regarding affordable housing needs in Ohio. These policy statements are the basis for the allocation process outlined in later sections of the Qualified Allocation Plan. The statements are not listed in any particular order; rather the priority of each policy is reflected in the allocation process.

Housing credits will be allocated to proposals that promote the policies and goals indicated in the QAP and are determined to be in the best interest of the citizens of the State of Ohio. OHFA reserves the right to award credits irrespective of competitive ranking if a proposal furthers the policies stated in the plan.

1. Types and locations of housing
    a. OHFA supports the development of three broad types of housing: Multifamily apartments; properties designed for senior populations; and single-family rental homes with a Lease-Purchase model.
    b. While OHFA recognizes the constant need to create new housing units, this goal must be balanced by maintaining existing affordable units currently in service. Therefore, OHFA values the preservation of existing affordable housing that is in the greatest need of rehabilitation and has Section 8 or equivalent federal rental assistance contracts in danger of expiring.
    c. As OHFA is committed to serve the affordable housing needs of all Ohio citizens, OHFA supports the development of Permanent Supportive Housing for the homeless and other populations with special needs.
    d. Consideration will be given to distribute credits throughout various geographic regions of the state when possible and areas of greatest need when necessary.
    e. As the challenges to development in Ohio increase, the need for strategic collaborative partnership and investment is critical. OHFA values construction in areas with neighborhood revitalization plans as well as areas currently experiencing significant investment.
    f. As our national economy continues to struggle and the foreclosure crisis continues to have a devastating effect on Ohio communities, OHFA will follow the recommendations of the Ohio Foreclosure Prevention Task Force by valuing the development of vacant properties in areas of the state most impacted by this epidemic.
    g. OHFA values the development of affordable housing in all areas of need including areas within a qualified census tract, Difficult Development Area, and areas of moderate, median and high income.
    h. OHFA values projects that access either the Federal or State Historic Tax credit program.

2. Types of subsidy
    a. As the need for affordable housing is constant and available resources to develop such housing become more scarce OHFA values assisting properties that leverage substantial federal development subsidies, such as the USDA Rural Development Section 515 program and the HUD HOPE VI program.
    b. While the economic struggles within our state impact all Ohio citizens, those in extreme poverty are hit the hardest. OHFA values the development of projects that will serve very low-income populations and/or provide federal rental subsidy for the residents.

3. Project characteristics
    a. As strong market demand is essential to successful housing development, OHFA will evaluate properties based on strength of the market area, including vacancy rates, penetration rates, the condition of other housing credit properties and the projected growth rate of the low-income population.
    b. As Housing Credit projects need to remain competitive in the rental market for the life of the compliance period, OHFA will evaluate project and unit amenities during the selection process.
    c. As Ohio's population is aging and the financial pressures of relocation are more burdensome on low-income households, OHFA values Universal Design in all

properties receiving housing credits. "Visitability" guidelines shall be incorporated into all newly constructed properties.

d. In order to create healthy and sustainable affordable housing in a cost-effective manner, OHFA supports development of properties that meet Green Communities standards.

e. As innovation and creativity are critical to meeting the changing demands of the consumer, OHFA will evaluate other unique characteristics with tangible benefit for the residents and/or housing in the selection process.

4. Development team characteristics

   a. OHFA values development team members with successful experience in the location and type of housing being proposed.

   b. OHFA supports the endeavors of community-based non-profit housing organizations to develop housing in their service area.

   c. OHFA values development teams with a strong financial base.

   d. OHFA values development teams with the ability to meet key responsibilities in a timely and efficient manner, Development team members include the general partners, developers, contractors and property manager.

   e. Development teams will also be evaluated on any prior and/or outstanding financial obligations with OHFA. The staff will evaluate the repayment histories of all loans extended to previous projects as well as payments of all other fees and monies due to OHFA.

5. Financial considerations

   a. OHFA will require the development of properties that meet OHFA financial underwriting requirements and are forecast to have sufficient long-term operating income to secure sustainability.

   b. OHFA will consider construction costs of a reasonable level when comparing proposals for similar types of projects.

II. ALLOCATION PROCESS

A. Instructions

All applications for 2008 Housing Credits at each stage of the allocation process must be submitted to the **Office of Planning, Preservation & Development; OHFA; 57 East Main Street; Columbus, Ohio 43215.** Applications must be received no later than 5:00 p.m. by the dates listed in the program calendar, unless the project is financed with tax-exempt bonds (see Page 51). Applicants must use the 2009 Affordable Housing Funding Application (AHFA) available on OHFA web site at www.ohiohome.org.

The application review process will consist of two stages. The first stage is a review of the experience and capacity of all organizations that wish to participate as general partners or developers during the program year. This review will result in a maximum number of credits for which each organization will be eligible. The second and final stage occurs after the submission of full applications. This is a review and evaluation of proposed project sites, including market criteria, project design and amenities, site location and quality, and the scope of work for rehabilitation projects. This stage will also address all other selection criteria. This complete review will result in a final competitive ranking for these proposals. OHFA will assure that any changes to or withdrawal of applications at any stage of the review process will affect all applicants in a fair and equitable manner.

<u>Interpretation of Policies</u>. The QAP is intended to provide sufficient information to prospective Housing Credit applicants. However, due to the complexity of the program and the housing development process in general, not every potential circumstance is covered in the QAP. OHFA will interpret the policies and guidelines contained in the QAP upon review of an application for Housing Credits, and may accept or reject an application based on its interpretation. Applicants are strongly encouraged to seek guidance from OHFA regarding any situation not explicitly addressed in the QAP prior to submitting their application. If an applicant fails to request such guidance, OHFA will consider this failure to disclose information in its decision making process.

<u>Special Allocation.</u> An applicant that has returned a Housing Credit allocation from a previous year due to the inability to proceed resulting from local government action that has been determined through the judicial system to be inappropriate may seek an allocation of credits in the current year. In order to qualify to apply for this relief, the project must meet the following requirements:

1. The project must have received an allocation of competitive Housing Credits from OHFA in a previous year.

2. The applicant must have returned the Housing Credits to OHFA prior to the required placed-in-service date.

3. The underlying reason for the return of the credit allocation must relate to action or inaction of the local government approval process to allow for plan approval or building permit issuance.

4. The applicant must obtain either a final judicial determination that the local action or inaction is inappropriate, or a settlement or consent of all parties to an appealable judicial action that no appeal will be taken from a judicial decree or that determines the local activity is

inappropriate. As a result of this judicial decree or settlement, the applicant must demonstrate that the project can now proceed. OHFA legal counsel and/or the Ohio Attorney General's office will make the determination of these requirements.

5. The applicant must complete a current year application and request OHFA Board consideration to obtain a Housing Credit reservation. OHFA staff will evaluate the project based on current selection criteria. It is expected that any monetary damages received which are related to the project, less direct costs of litigation apportioned between damages that are related and unrelated to the project, will be pledged to the project.

Qualifying requests will be summarized and presented to the OHFA Multifamily Committee and Board for consideration and approval. OHFA has no affirmative obligation to grant approval to any project seeking relief.

OHFA may also grant relief to projects that are unable to meet their placed-in-service deadline due to circumstances that are outside the control of the owner and could not be reasonably anticipated before the initial application date. The following requirements must be met:

1. The applicant must submit a formal request outlining reasons that the placed-in-service deadline cannot be met. A request may be submitted after September 1 and no later than November 30 of the year of the placed-in-service deadline.
2. The applicant must agree to return their Housing Credit allocation to OHFA prior to the placed-in-service deadline.
3. Significant progress toward completion of the construction and/or rehabilitation of the project must be demonstrated at the time the request is submitted.
4. If the request is approved, then a new allocation of credits will be granted in the following calendar year, and the placed-in-service deadline will be extended up to one year. OHFA has no obligation to grant approval to any project seeking relief.
5. OHFA reserves the right to levy a reservation fee for the new credit award.

<u>Previous Allocation.</u> Owners of projects that received a prior allocation of Housing Credits may apply for additional credit if necessary for the continued financial feasibility of the project. The ownership structure, development team members, rent elections, applicable fraction, developer's fee, special needs population served (if any), and physical structure of the project may not be changed unless approved in advance by OHFA. All requests for changes must be received no later than 30 days prior to the application deadline for the Site & Market Evaluation.

Applications for additional credit must include documentation dated within one year prior to application for Housing Credits. Owners must meet all requirements contained in the 2009 QAP.

<u>Duplicate Applications.</u> Each application must consist of a legitimate stand-alone development proposal. OHFA does not consider projects that are artificially divided or duplicate projects on adjacent or nearby sites to be legitimate development proposals, because such applications may manipulate the selection process and circumvent allocation priorities. Therefore, OHFA will reserve the right to combine or reject applications for projects located in close proximity and sharing similar attributes, such as project type, population served, construction style, and/or development team members.

If OHFA elects to combine applications, then the developer will be required to demonstrate that the combined project will be financially feasible. The conclusions in the market study must be updated based on the total number of units, and items such as zoning documents, public notification letters and consolidated plan certification may also need to be updated. If OHFA determines that it is appropriate to combine applications in this manner, then the applicant(s) must either submit the updated documents described above or elect to withdraw one or more of the duplicate applications. An election to withdraw an application must be in writing and signed by all parties who signed the original application.

In addition to combining applications, OHFA will prohibit applications that receive a reservation of housing credits from later adding land or sites from other projects proposed in the same year. OHFA will permit a parcel of land or an existing building to be included in only one application during a funding round.

Identification of Costs. The hard construction cost line items in the proforma section of the application must only include costs for those items that are depreciable with the building. All soft cost items that are usual and customary for the construction or rehabilitation of a Housing Credit property, including professional fees and project reserves, must be included and properly identified as soft cost items. All costs relating to building acquisition must be accounted for in an appropriate manner.

OHFA reserves the right to review the proforma of any applicant and request a breakdown of the hard construction cost line items, which must be consistent with the scope of work for the project. An applicant with a fixed price contract in which all construction costs are designated as hard costs must estimate soft cost allocations from that contract and include those estimates as soft costs in the application. The initial breakdown between hard construction costs and soft costs may not vary beyond a reasonable amount from the actual costs indicated in the final cost certification.

B. Program Calendar *(Subject to Change)*

November 2008

13 Applications for Experience & Capacity Review Submitted

December 2007

1 2009 Housing Funding Training

8 2009 Housing Funding Training

18 Experience & Capacity Determinations Issued

18 2009 AHFA Ready for Distribution

March

19 Submission Deadline for Housing Credit Applications

July

2 Housing Credit Awards Announced for All Allocation Pools including Maximizing Outcomes

6 Binding Reservation Agreements Issued

July (cont.)

21 Next Steps Meeting for Successful Applicants

August

3 Submission Deadline for Binding Reservation Agreements

25 Submission Deadline for Phase I Environmental Site Assessments

November

19 Submission Deadline for Carryover Allocation Requests

December

31 Carryover Allocation Agreements Issued

C. Experience & Capacity Review

OHFA will conduct a review of the experience and capacity of potential general partners and developers prior to submission of Housing Credit applications for individual properties. The result of this review will determine whether an organization may participate in the upcoming program year, and the maximum number of applications that may be submitted and maximum credit amount that such organization may be awarded as a general partner and developer. The level of participation may be extended to other roles on the development team at the discretion of OHFA.

The following items must be submitted for OHFA to conduct the experience & capacity review:

1. A brief narrative describing the experience of the organization with regard to development of subsidized affordable housing, including the number of projects and units that have been completed and placed into service.

2. A spreadsheet summary of all projects under construction in any state, including their present status and expected completion date.

3. Full organizational chart, staff roster, and resumes of key development staff within the organization, focusing on their affordable housing development experience.

4. An expanded financial review system will be implemented. This review will require a higher level of external substantiation based on the tier level requested by the applicant. These requirements may range from audited financial statements to recent internally prepared financial reports.

5. The number of Housing Credit applications proposed for submission in 2009; the allocation pools in which the applications will compete; the roles that the organization will play in the projects; development and ownership partners that the organization may be working with on the projects; and a request to be placed in one of the tiers described below.

The following criteria will be considered when making a determination:

1. Past experience developing affordable housing using OHFA programs. Properties presently in service and those under construction will be considered, and the quality and success of previous developments will be taken into account. OHFA will also utilize data gathered during all past Project Cost Analysis Matrix ("P-CAM") reviews in order to determine project sponsors' effective use of past housing credit allocations, development loans, and HDAP (and HDGF) in conjunction with staff's expressed opinions of project finishes. OHFA will also consider location and experience in the geographic areas to be served, experience with the type of housing product proposed, and the past working relationships of the proposed development and ownership partners.

2. Other affordable housing development experience using government funded programs, including existing properties and those under construction.

3. The development capacity of the organization to complete construction of all current projects on time and within program requirements and application commitments.

4. The financial capacity of the organization to ensure that construction will be completed on time and that work will be guaranteed for quality.

5. The organization must remain in good standing with all OHFA programs in order to participate in the upcoming program year.

An organization will be placed into one of the following tiers as a result of the review:

1. Tier One: Eligible to submit a maximum of ten (10) competitive applications and receive no more than $3,000,000 of annual housing credits.

2. Tier Two: Eligible to submit a maximum of six (6) competitive applications and receive no more than $2,000,000 of annual housing credits.

3. Tier Three: Eligible to submit a maximum of two (2) competitive applications and receive a maximum of one (1) housing credit award.

4. Tier Four: Ineligible for a housing credit award during the current program year.

Placement in one of these tiers does not constitute a guarantee of any level of funding. OHFA will use information submitted by the organization and other reasonable sources available to make these determinations, including reports and opinions of other public funding sources. OHFA reserves the right to place additional restrictions on applicants, further limit the number of awards, maximum applications allowed or amount of credits to an organization in any tier, and limit credit allocations due to identities of interest between organizations applying for Housing Credits.

Response period: OHFA will announce experience and capacity review results on December 18, 2008. In order to ensure the highest possible standard of accuracy, thoroughness and service, applicants will have until January 1, 2009 in order to provide a written response to any factual discrepancies in the review. OHFA will then review the response, make any adjustments deemed necessary and appropriate and provide a final experience and capacity evaluation on January 8, 2009.

Maximum Credit Cap Requirements

a. All users are restricted to a maximum of $3,000,000 in annual Housing Credits based on the determination made by OHFA in the Experience & Capacity Review.

   "Users" to which the credit cap applies are actual general partners, and parent organizations of general partner entities or affiliates of the general partner or managing members of entities to which Housing Credits have been awarded. "Affiliate" is any entity that directly or indirectly controls another entity or has a controlling interest in the entity. "Controlling Interest" is defined as the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through the means of ownership, position, contract, or otherwise. In addition, "controlling" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through the means of ownership, position, contract, or otherwise.

b. Organizations acting as users, developers, and/or general contractors are limited to a maximum of $3,000,000 in annual Housing Credits based on the determination made by OHFA in the Experience & Capacity Review.

An **"organization"** to which this cap applies is defined as the actual entity indicated in the application, and any parent organization or affiliate of such entity (see the preceding paragraph for definitions of affiliate and other applicable terms). This restriction includes any applications in which such organization is indicated as a general partner or as a consultant. If a developer or general contractor enters any additional projects after reservation agreements are issued, these will count against their cap for the following year. Full disclosure of identity of interest between all development team members must be included in the application. At the time of reservation and allocation, each general partner, developer and general contractor must execute a certification that their participation in Housing Credit projects is limited to the maximum credit cap amounts. If an entity does not fully disclose all participation, then such entity and all affiliated organizations will be banned from participating in the Housing Credit program for one year from the date of discovery by OHFA.

OHFA reserves the right to determine to which entities the maximum credit cap may apply. Any such determinations shall apply only to the applications received in 2008 and shall not be bound or limited by any determinations made by OHFA for any previous year. The annual credit amount for each project will be applied to each general partner, developer, or general contractor, regardless of ownership interest; thus, a 51% general partner will have the entire project credit amount applied toward its cap, rather than 51% of the credit amount.

<u>Good Standing with OHFA and ODOD Housing Programs</u>

Program participants will be considered to be not in good standing when one of the following applies to a project in which the entity or individual is involved in an executive capacity (i.e. anything other than as a passive investor or general contractor):

1. Outstanding uncorrected IRS Form 8823.
2. Default on any OHFA loan.
3. Failure to submit an annual owner certification or report.
4. Before the issuance of IRS Form 8609, the project has non-compliance issues that would be reported to the IRS if Form 8609 had been issued.
5. Failure to request Form 8609 in a timely manner.
6. Failure to abide by the regulations of the Housing Development Assistance Program (HDAP).
7. Violating the terms of a HDAP funding agreement.
8. Failure to pay applicable program fees.
9. Failure to maintain good standing with an Ohio Department of Development program.
10. Deviating from an approved project plan without OHFA approval.
11. Providing false, misleading, or incomplete information on an application or other document required by OHFA.
12. Failure to respond in a reasonable period to requests for information or documentation.
13. Changing a management company or other approved project participant without OHFA approval.
14. Other determinations made by OHFA based on a pattern of mismanagement or non-compliance as evidenced by monitoring reviews or other information. Determinations may be directly appealed to the OHFA Multifamily Committee as described below.

A designation of not in good standing will result in the entity or individual so designated being unable to participate in any OHFA programs until the violations resulting in such designation are resolved. Parties deemed to be not in good standing under any of the above items may, upon submission of additional information, request that OHFA remove such designation. In the event OHFA denies a request, the applicant may appeal to the Multifamily Committee of the OHFA Board. Designations of not in good standing resulting from Item 14 above, may be appealed directly to the Multifamily Committee. The decision of the Multifamily Committee is final.

Projects may request that OHFA waive violations of the good standing policy as described in Items 1-13 above. Examples of circumstances where a waiver may be issued include when a management company or owner "inherits" uncorrected Forms 8823, or in the event of a casualty loss.

D. Competitive Evaluation

OHFA will conduct an initial review and evaluation of proposed project sites. This review will encompass market criteria, project design and amenities, and site location and quality. The projects in each allocation pool will be compared and ranked in order of preference based on these criteria as a result of the evaluation. OHFA may also eliminate a project from further consideration following this evaluation or during the evaluation process. Properties that have an existing project-based rental assistance contract with HUD, RD, or a comparable federal source will receive first priority in the Preservation Pool.

The following items must be submitted for OHFA to conduct the site & market evaluation. Refer to the Program Calendar for application deadlines.

1. The 2009 Affordable Housing Funding Application (AHFA). In an effort to reduce OHFA's carbon emissions, reduce waste and increase data security and retention, OHFA hopes to make the 2009 funding cycle nearly paperless. The final version of the draft will detail in what form applications will need to be submitted.

2. Application processing fee in the amount of $2,000. An application will be immediately rejected if a check is returned for insufficient funds.

3. A narrative describing how the project will meet or address the selection criteria in the Site & Market Evaluation.

4. A market study conducted by an approved market study professional that meets all OHFA requirements.

5. Evidence that the public notification process has been completed pursuant to the Ohio Revised Code and OHFA requirements. Copies of all public notification letters and receipts must be submitted.

6. Preliminary plans and specifications that provide a description of the proposed development, including the following:

    a. Typical unit plan(s) that include the square footage of each unit.
    b. Building elevations (photographs are acceptable for rehabilitation projects).
    c. A site plan that shows how the development is to be built, **including rehab or adaptive re-use projects**. This plan must indicate the placement and orientation of buildings, parking areas, planned and existing public sidewalks, landscaping, amenities, easements, trash dumpsters, buffers, etc.
    d. A schematic site plan that shows the site boundaries and includes the location of any streams, ravines, gullies, drainage problems or other construction deterrents. All utility locations such as water, sewer, gas, electric, and phone lines must be indicated. If utility services are not presently located at the site, then the plan must reflect the distances from the services.
    e. The most recently available topography map of the site that clearly identifies the site contour lines at twenty (20) foot intervals or less.
    f. A current aerial photograph with the location of the site clearly marked and the surrounding uses and access points to the site are clearly visible. For scattered site

projects, submit a map indicating the location of each site with reasonable specificity.

g. A detailed scope of work for rehabilitation and adaptive reuse projects that identifies all hard construction items and their cost.

For rehab/preservation projects, a detailed narrative of the past history of the project that includes the name of the property management company(s) during the past ten years, a list of capital expenditures over the past two years, obvious design flaws, and any significant events that have led to the projects current need for a rehab (i.e. fire, natural disaster).

Architectural plans must be on paper no larger than 11 inches by 17 inches and must fit completely into the application binder.

7. Completed and executed OHFA Form 001 (Contractor/Architect Certification) evidencing that all minimum project requirements will be met. Any requests to waive these requirements must also be submitted with the form.

8. Mini-Phase I Environmental Site Assessment (MP-1). The scope of work for the MP-1 may be found in Exhibit O. OHFA reserves the right to reject any sites indicated to have environmental problems or hazards.

9. Projects competing in the preservation pool must submit a capital needs assessment with their application that meets the standards outlined in Exhibit L.

Additional information from the local development departments or the local MHA may also be submitted for consideration by OHFA during the site & market evaluation.

<u>Selection Criteria</u>

1. Market Criteria: OHFA prefers projects that best meet the following guidelines. Data from the OHFA Statewide Rental Housing Analysis (SRHA) and annual operating surveys will be used to determine the vacancy and penetration rates for each county and submarket. All of the sites to be included in a project must be located within one Primary Market Area (PMA).

   a. Housing Credit Vacancy Rate

   Projects located in counties or submarkets that have an average vacancy rate for housing credit projects equal to or less than the statewide average will receive preference. Projects will be evaluated and grouped based on project type. The three project types that will be considered are single-family, multifamily, and senior (age 55 or older). Refer to Exhibit Q for more information.

   The market analyst for the project may also present statistical evidence indicating a vacancy rate equal to or less than the statewide average in the Primary Market Area (PMA) to receive preference, or may present reasons that a high vacancy rate will not affect the viability of the proposed development. OHFA reserves the right to override the analyst's recommendation.

   b. Market Vacancy Rate

Projects located in counties or submarkets that have an average vacancy rate for market rate projects equal to or less than the statewide average will receive preference. Refer to Exhibit R for more information.

The market analyst for the project may also present statistical evidence indicating a vacancy rate equal to or less than the statewide average in the Primary Market Area (PMA) to receive preference, or may present reasons that a high vacancy rate will not affect the viability of the proposed development. OHFA reserves the right to override the analyst's recommendation.

c. Penetration Rate

Projects located in counties or submarkets that have an average penetration rate (for households with incomes between 40% and 60% AMGI) equal to or less than the statewide average will receive preference. Projects will be evaluated and grouped based on target population. The target populations that will be considered are family/individuals and senior (age 55 or older). Refer to Exhibit S for more information.

The market analyst for the project may also present statistical evidence indicating a penetration rate equal to or less than the statewide average in the Primary Market Area (PMA) to receive preference, or may present reasons that a high penetration rate will not affect the viability of the proposed development. OHFA reserves the right to override the analyst's recommendation.

d. Growth Rate for Income-Qualified Households

Projects located in counties or submarkets that have a positive (increase of more than 25 households) growth rate of households with incomes between 0% and 60% AMGI between 2006 and 2011 will receive preference. OHFA will use 2007 HISTA data created by Ribbon Demographics to determine the counties or submarkets eligible for the points. Projects will be evaluated and grouped based on target population. The target populations that will be considered are family/individuals and senior (age 55 or older). Refer to Exhibit T for more information.

The market analyst for the project may also present statistical evidence indicating a positive growth rate for households with incomes between 0% and 60% AMGI in the Primary Market Area (PMA) to receive preference, or may present reasons that a negative growth rate will not affect the viability of the proposed development. OHFA reserves the right to override the analyst's recommendation.

Nominal Market Impact: Preference may also be given for this item if the number of proposed units is equal to or less than 2% of the 40% to 60% AMGI income qualified households in the county or submarket by project type as determined by OHFA. Refer to Exhibit U for a listing of maximum units by project type – family or senior (age 55 or older).

2. Project Design & Amenities: OHFA values projects that best meet the following guidelines.

   a. Design and layout of buildings, green spaces and pedestrian areas on the site that are appropriate for the area (i.e. urban, rural, or a particular place) and population (i.e. families, seniors, permanent supportive housing, etc.) to be served.

   b. Structural amenities that are appropriate for the area and population to be served, including but not limited to safety features, laundry facilities, storage space and parking accommodations.

   c. Scale, design and architecture that are aesthetically compatible with buildings located in the surrounding area. The design should incorporate the surrounding neighborhood and/or topographical features in order to take full advantage of scenic qualities.

   d. Provision for community and recreational spaces that are appropriate for the population to be served. Spaces should be located on-site where feasible, or within a reasonable distance considering the area and population to be served.

   e. Adequacy of the scope of work for rehabilitation properties. The scope of work will be compared to the capital needs assessment in order to determine the feasibility of the rehab. All major structures, systems and components of the buildings must be accounted for and replaced or repaired as necessary. All completed design features and finishes should emulate projects that are appropriate for that market area.

3. Site Location & Quality: OHFA values projects that best meet the following guidelines:

   a. Availability of and access to appropriate public services, including: public transportation; public safety (police/fire department); schools; day care/after school programs; library; community center. The area and population to be served will be considered in the evaluation of the site.

   b. Availability of and access to appropriate community services, including: shopping (gas, grocery, banking, pharmacy, etc.); restaurants; parks; recreational facilities; hospital; health care facilities. The area and population to be served will be considered in the evaluation of the site.

   c. Visibility of the site should be maximized in order to enhance its marketability. (While high traffic corridors may improve the visibility they may also prove as a deterrent.) Applicants are encouraged to create a balance between the visible aspects of the site with its accessibility.

   d. Sites are to provide appropriate levels of accessibility for the future residents. Posted speed limits and the appropriate number of lanes on publicly maintained roadways should provide safe routes to traverse at all times. Applicants are encouraged to provide appropriate points of ingress/egress to promote public safety.

   e. Potential development concerns located on, adjacent to or near the site, such as environmental hazards related to increased noise levels, above ground storage tanks, environmental justice (a.k.a., overly concentrated low-income housing or otherwise undesirable location), wetlands, topography concerns, and the presence of vicious breeds of dogs. The applicant must explain in their narrative whether such items will have an adverse effect on the development of the site.

   f. Effect of incompatible uses located on, adjacent to or near the site that may adversely affect residents, including but not limited to: high power transmission lines, sub-stations and towers; railroad tracks; high traffic corridors; factories; industrial plants; salvage yards; landfills; water treatment facilities; water towers; and cell phone towers. The applicant must explain in their narrative whether such uses will have an adverse effect on the residents of the property.

g. Contributes to an existing community development plan or redevelopment initiative. Plans approved at the city, village, township or county level will receive consideration, and must be evidenced in a formal manner via correspondence from appropriate local officials that cite specific references in the plan, copies of applicable portions of the community development plan, and/or other written means. The type of housing to be developed (i.e. apartments, single-family homes, etc.), the location of housing within the jurisdiction, and the population to be served will be considered. OHFA will also consider areas experiencing significant development investment without a formal redevelopment plan.

3. Development Team: OHFA values projects that best meet the following guidelines:

a. OHFA values projects whose development team has a presence within the State of Ohio. An application may qualify if the general partners/managing members (other than the investor member), developers, and/or management company have their principal offices located in Ohio, or have successfully developed, have an ownership interest in and/or manage affordable housing properties in Ohio.

b. OHFA values projects in which one of the general partner entities is a local organization, defined as having a central office located in the same county in which the project will be developed. The central office must be the entity's main/corporate headquarters and must have been located in the project county for a minimum of one year prior to application.

An entity that serves multiple counties may also qualify if the central office is not located in the project county. The proposed project must be located in a Geographic Pool B or C area and must be located in a county that is directly adjacent to the county where the central office is located.

The following entities will also be considered to be local organizations if the project is located in their particular service area as defined in the organization's bylaws:

- An Area Agency on Aging or Community Action Agency located in Ohio.
- Other organizations created under the auspices or direction of an Area Agency on Aging or Community Action Agency as referenced above.

c. OHFA values projects whose development team members have experience developing and/or managing the type of housing product proposed in the application. Product types may include senior housing, lease-purchase projects, permanent supportive housing, substantial and/or historic rehabilitation, or other relevant types of housing.

d. OHFA values projects whose development team members have experience developing and/or managing affordable housing in the location or type of geographic area proposed in the application. This may include development in a particular city or county, or development in urban, suburban, rural or other types of geographic areas.

e. OHFA will evaluate the previous housing development and ownership experience of the general partners and developers for the proposed project. This includes Housing Credit properties developed in Ohio or other states, and other affordable housing properties developed with public funds in Ohio or other states. These properties must be constructed and placed into service to be considered in this category. The success, quality and time period in which projects were developed will also be taken into account.

f. OHFA values projects with a vertically integrated development team (developer, property manager and one general partner), or whose development team members have previous experience working together to successfully develop affordable housing properties.

g. OHFA values development teams with the financial capacity to effectively and efficiently complete all development requirements in a timely manner.

OHFA considers the term “appropriate” in a subjective manner within the above guidelines, meaning that the feature identified will likely make the project more successful (i.e. more likely to lease units, maintain cash flow and sustain long-term viability) for the population being served. Any single feature may or may not be preferred universally among all areas, populations and housing types.

OHFA may conduct a site visit in order to gather information that will be used to help rank the applications in each allocation pool. The applicant must clearly mark the physical location of the project site and provide a detailed map that depicts the roads leading to the site so that OHFA staff may easily conduct a site visit. Up to two representatives of the applicant who are familiar with the housing proposal are encouraged to accompany OHFA staff on the site visit in order to describe how the proposal meets the Site Location and Project Design criteria and to answer any questions that staff may have. The applicant may request in advance that additional representatives be present if necessary and acceptable to OHFA. Applicants for scattered site projects must be available to provide a tour of the sites and neighborhoods. All site visits will be scheduled at a time convenient to OHFA review staff.

In addition to ranking applications based on the above criteria, OHFA will compare applications of the same project type and located in the same county or market area, and may prioritize and rank such applications to determine which of these projects will receive credits following the entire application review process.

<u>Restricted Areas</u>

An application may not be eligible for a Housing Credit allocation if OHFA awarded an initial allocation of credits to another project between 2005 and 2007 located in the same Primary Market Area (PMA) and serving the same population. This applies only if the previous application consists of newly created affordable housing units located on single or closely grouped sites.

The number of income-eligible households in the PMA will be a factor to determine whether the application is eligible for funding. Other factors may include vacancy and penetration rates in the PMA, population to be served by the proposed project, condition and age of the existing housing stock, and whether the previous project is placed-in-service and fully leased. OHFA may also reject an application if an existing project presently in service in the PMA has occupancy difficulties due to market conditions. Applicants are encouraged to contact OHFA in advance of the application deadline with any questions regarding the status of a restricted area in which they plan to develop housing.

<u>Market Study Requirements</u>

A market study conducted by an OHFA-approved market study professional must be submitted with the application. A list of OHFA-approved professionals is available on the OHFA web site. In order to be placed on this list, market analysts must follow the application requirements available on the web site.

All information submitted in the market study will be compared with the OHFA Statewide Rental Housing Analysis. Any items that vary from the analysis may be challenged. Any market study professional submitting inaccurate information may be removed from the list of OHFA-approved market study providers. The market study professional must organize the study using the index found in Exhibit I and complete the market study checklist (OHFA Form 002).

A market study must include all of the following:

a. Executive summary in bullet format that briefly reviews all of the market study requirements and indicates any recommendations or suggested modifications to the proposed project.

b. Concise conclusion by the author that indicates a market exists for the proposed project. The conclusion must include the estimated stable year vacancy rate and the estimated time needed to fully lease-up the proposed project. If the estimated stable year vacancy rate exceeds 7% and/or the estimated lease-up time exceeds one year, provide a detailed explanation.

c. Description of the proposed project including all of the following: the site and adjacent parcels; visibility and accessibility of the site; project design (walk-up, elevators, etc.); number of units; number of bedrooms (efficiency, SRO, 1, 2, 3, etc.) and baths; unit and project amenities; proposed rents and utility allowances; and population served. This information must be consistent with the AHFA. Include color photographs of the project site(s) and surrounding areas. For a scattered-site project, color photographs of at least four (4) sites or at least 10% of the total number of sites in the project must be included (whichever number is greater). The photographs submitted should reflect the various streets or neighborhoods in which the project sites are located. The author must review the site and floor plans and indicate whether the plans are appropriate or need certain modifications.

d. Description and map of the Primary Market Area (PMA) for the proposed project, including the methodology used to determine the boundaries. Provide a detailed explanation if the PMA includes any areas outside of a five-mile radius from the proposed project. Include a discussion of the health of the overall rental housing market in the PMA. All of the sites to be included in a project must be located within one PMA.

e. Comparison of the rents of the proposed project to the market rents for comparable units in the PMA. Include the methodology for the calculation of the market rents.

f. Description of the number of **income-eligible renter households** in the PMA. An income-eligible household is defined as spending up to 35% of income on rent for families or up to 40% of income on rent for seniors. Indicate the percentage of these households that are required to fully lease-up the project (“capture rate”). If this percentage exceeds 10%, provide a detailed explanation for the higher rate.

g. Description and evaluation of the public services (including transportation, police, fire department, schools, day care, library and community center), infrastructure (including roads and traffic), community services (including shopping, restaurants, parks, recreational facilities, hospital, health care facilities, and services for special needs if applicable), and employers in the PMA. List the approximate distances to all the services. Include a map that clearly identifies the location of the project and all public and community services.

h. If the project will be serving a special needs population, identification of the number of special needs households residing in the PMA. Indicate the percentage of these households that are required to meet the project's special needs set-aside. Special needs populations are permanent supportive housing for the homeless, senior housing, housing for persons with a developmental disability, and housing for persons with severe and persistent mental illness. Information regarding the number of special needs households may be obtained from the local Continuum of Care study, local CHIS or Consolidated Plan, local Mental Health or MR/DD Board, homeless shelters, or other community social services agencies. Please document the source of your information.

i. Description of the federally subsidized developments and Housing Credit projects (both operating and not yet placed-in-service) located in the PMA. Housing Credit projects not yet placed in service must be included in the analysis. Provide the current vacancy rate for each project and include the person(s) contacted for each competing project and the method of contact. Compare the rents, amenities, unit sizes, bedroom sizes, and populations served of the competing projects to the proposed project. The following information must also be included: name, location, population served, type of design, age and condition, number of units by bedroom type, rent levels, number of bedrooms and baths for each unit type, size in square footage of units, type of utilities and whether paid by tenant or owner, unit and site amenities. Comparisons to the subject rents should be based on comparable amenities, utilities, location, parking, and any rental concessions. Identify specific reasons why comparables are faring poorly in the market (if applicable). Projects that receive a reservation may be required to amend their market study to incorporate those other projects receiving an allocation in the same round and are located in the same primary market area. A listing of Housing Credit projects in service and in development is located on the OHFA web site. Calculate the ratio of subsidized and Housing Credit units to income eligible renter households.

j. Estimate of the vacancy rates of the Housing Credit projects (only those currently operating) located in the PMA during the first stabilized year of the proposed project. If the estimated vacancy rate exceeds 10% for any Housing Credit project, provide a detailed explanation for the higher rates.

k. Description of comparable market rate developments located in the PMA. Provide the current vacancy rate for each project and include the person(s) contacted for each competing project and the method of contact. Compare the rents, amenities, unit sizes, bedroom sizes, and populations served of the competing projects to the proposed project. The following information must also be included: name, location, population served, type of design, age and condition, number of units by bedroom type, rent levels, number of bedrooms and baths for each unit type, size in square footage of units, type of utilities and whether paid by tenant or owner, unit and site amenities. Comparisons to the subject rents should be based on comparable amenities, utilities, location, parking, and any rental concessions.

l. Evaluation of any concerns or issues raised by the most local Public Housing Authority (PHA). The applicant or market study author must send a letter via certified mail to the local PHA. The letter must contain a brief description of the project and target population, instructions for the PHA to forward all comments to the market study author, and a statement that all comments must be submitted within 30 days from receipt of the letter. If the PHA does not respond to the letter or comments are submitted after the 30-day comment period, the market study author does not need to analyze the issues or concerns of the PHA. Include in the market study a copy of the letter, certified mail receipt, and a copy of any letters from the PHA.

m. An executed original OHFA Form 003 - Market Study Certification. The market analyst shall have no financial interest in the proposed project. Financial interest is deemed to be any remuneration other than the fee for preparing the market study. Furthermore, the fee assessed for the study shall not be contingent upon the proposed project being approved by OHFA.

n. A list of all data sources used in the study.

The study must have been completed or updated by the author within one year prior to the application deadline for Housing Credits.

The characteristics listed above are the minimum required to meet OHFA threshold requirements. OHFA reserves the right to independently determine if a market exists for the proposed project and to require additional information and/or another market study. OHFA may also contact the market analyst during the review process if any required information cannot be found in the study.

<u>Public Notification Requirements</u>

The applicant must notify, in writing, certain officials from:

a. The political jurisdictions in which the project will be located; and
b. Any political jurisdiction whose boundaries are located within one-half mile of the project's location.

The applicant must use the letter template provided in Exhibit F of the QAP and include all information requested in such template. The notification must state the applicant's intent to develop a project using OHFA funding. The notification must be in writing and sent via certified mail, return receipt requested. Submit a copy of the stamped post office receipt (return receipt not required) for certified mail and copies of notification letters with your application.

The officials to be notified include:

a. The chief executive officer and the clerk of the legislative body for any city or village (i.e. mayor and clerk of council);
b. The clerk of the board of trustees for any township;
c. The clerk of the board of commissioners for any county;
d. State Representative(s);
e. State Senator(s).

Scattered-site projects must complete the public notification process for sites under control at application and then again for remaining sites prior to the Carryover deadline. The notification must be evidenced at Carryover.

Applicants are encouraged to contact appropriate local government officials prior to submitting an application to inform them of the details of their housing proposal.

<u>Minimum Project Standards</u>

a. In addition to meeting all new construction and rehabilitation standards required by Section 42 and local and state building codes, each unit must provide a refrigerator and stove in good working order. OHFA may permit an exception to this requirement on a case-by-case basis.

b. Each bedroom in new construction or adaptive reuse units must be at least seven feet in each direction, at least 100 square feet total, and contain a closet in addition to the minimum square footage. Existing housing units are exempt from this criterion.

c. The minimum hard construction costs for rehabilitation must be equal to or greater than $10,000 per unit or 40% of the total project costs (minus the cost of land and any soft subordinate debt restructured by HUD under the Mark-to-Market program), whichever is greater. Applicable hard construction costs include residential hard construction costs, on-site improvements, construction contingency, furnishings and appliances. An exception to this requirement are projects with tax-exempt bond financing, in which the minimum hard construction cost for rehabilitation projects must be equal to or greater than $6,000 per unit.

d. All new construction units will incorporate the following Universal Design elements which constitute "visitability":

(1) No step entrance: Provide at least one no step entrance into the unit. The required no step entrance shall be accessed via an accessible route (driveway, sidewalk, garage floor, etc.). Ramps that extend out into the front or back yards are usually not the appropriate solution. OHFA can provide technical assistance or referral to appropriate resources at your request.

(2) Doors/Openings: All doors and openings shall have a minimum net clear width of 32 inches.

(3) Bathroom/Half Bath: Provide a bathroom or half bath on the main floor with clear floor space of 30 inches by 48 inches.

If you feel that some or all of your proposed buildings will be unable to meet the visitability requirements due to topography or other site/design limitations, complete Form 001A - Reconsideration of Visitability Requirements. An OHFA-appointed architect will contact you to work out solutions or will make a determination of whether to waive one or more of the visitability requirements.

e. A single-site multifamily project must provide a parking lot with concrete curbs and at least one parking space for each unit in the project. Exceptions to this requirement may be permitted on a case-by-case basis for projects located in dense urban areas, or for projects serving the elderly or permanent supportive housing populations.

f. All units must be provided with energy efficient central air conditioning systems. Exceptions to this requirement may be permitted for preservation pool eligible projects that, due to design issues, can only provide window units or other cooling systems for each room.

g. Three-bedroom units must contain at least one and a half bathrooms and units with four or more bedrooms must contain at least two full bathrooms. Exceptions to this requirement may be permitted for existing housing projects that, due to design issues, cannot provide the required number of bathrooms without incurring excessive costs.

h. Except for single-family homes and scattered-site developments, the owner must provide full-time (at least 20 hours per week) on-site management staff based on the following scale:

- Up to 75 units = at least one full-time staff;
- 76 to 150 units = at least two full-time staff;
- Over 150 units = at least three full-time staff.

OHFA may permit an exception to this requirement on a case-by-case basis.

i. The owner must provide reasonable security features, such as security staff, cameras, alarm systems, secure common hallways, block watch plans, etc. for all residents. The applicant must describe such features in a narrative that cannot exceed one page in length.

j. Minimum unit size (residential living space) for new construction and adaptive reuse projects are as follows:

- SRO Units: Exceed 250 S.F.
- Efficiency Units: Exceed 450 S.F.
- 1-Bedroom Units: Exceed 650 S.F.
- 2-Bedroom Units: Exceed 850 S.F.
- 3-Bedroom Units: Exceed 1000 S.F.
- 4-Bedroom Units: Exceed 1150 S.F.

k. Single-family homes must:

- Contain three or more bedrooms;
- Provide a two-car garage, or provide a one-car garage and a full basement;
- Include washer/dryer hook-ups.

A full basement must contain at least 200 square feet with ceilings at least seven feet high and may not be used as bedrooms.

All requests for exceptions to items a., e., f., g., h., and k. above must be submitted to OHFA no later than one month prior to the application deadline. In addition, OHFA may waive any of the minimum project standards for rehabilitation projects with tax-exempt bond financing if the applicant can reasonably demonstrate that the standards are not appropriate or cost effective. OHFA will evaluate each project on a case-by-case basis and staff decisions will be final. OHFA Form 001 must be submitted to certify all structural requirements previously listed.

E. Allocation Pools

OHFA has divided the state's annual per capita credit allocation into three target pools, three geographic pools, and the maximizing outcomes pool. Each application will compete in only one of the target or geographic pools. Applications will be assigned to a target pool at the discretion of OHFA based on the qualifications for each target pool. The amount reserved to each pool is the maximum amount that will be awarded in that pool. Credits that are not awarded in any pool will be distributed in the maximizing outcomes pool. OHFA may, at its discretion, approach applicants during the review process regarding adjustments to their requested credit amount in order to maximize the number of projects funded per pool.

Target Pools (not to exceed $10,500,000 of the annual credit allocation)

1. Rural Development Funding (not to exceed $1,000,000)
    a. Includes new construction projects with a Section 515 loan, and new construction or rehabilitation projects with a Section 538 loan guarantee with interest subsidy.

    b. All buildings must be financed with a Section 515 loan or Section 538 loan guarantee. Evidence that the financing has been or will be obtained must be submitted with the application.

    c. The amount of a Section 538 loan guarantee must be equal to at least 10% of total project costs. The applicant must submit correspondence from RD that verifies the eligibility of their project for the upcoming loan guarantee program. A complete application for the guarantee must then be submitted to the appropriate RD office by September 1, 2009 or the credit reservation may be recaptured. The RD office will determine the completeness of such application.

       Projects that receive a Section 538 Loan Guarantee are ineligible for points in the Single-Family Lease-Purchase category. Applicants who receive an RD Section 538 Loan Guarantee for a lease-purchase development must submit by the Carryover deadline a legal opinion indicating that the units may be sold to residents after the 15-year compliance period.

    d. If a project qualifies for the Preservation Pool it is ineligible for the Rural Development Pool.

    e. Projects competing in the Rural Development Pool will be limited to an annual allocation of $600,000. The amount of credits requested must be sufficient for the financial feasibility of the project.

2. Permanent Supportive Housing (PSH) (not to exceed $3,000,000)
    a. Projects in this pool should be designed for persons/households that are homeless (primary residence is a publicly or privately operated shelter designed to provide temporary living accommodations, or a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings) and/or have one or more of the following characteristics: physical, mental or developmental disabilities; alcohol and/or substance abuse problems; HIV/AIDS and related diseases; or other persons/households that qualify under the HUD Shelter Plus Care Program.

b. At least 50% of the units within the housing development must be reserved for occupancy by the targeted population.

c. A comprehensive service plan that is satisfactory to OHFA and meets all the requirements listed in Exhibit J must be submitted with the application that identifies (i) the services to be provided; (ii) the anticipated sources of funding for such services; (iii) the physical space that will be used to provide such services; and (iv) the applicant or the contracted (or equivalent relationship) supportive services provider and their experience in providing services to the targeted population.

d. OHFA values projects that provide a commitment for rental subsidy for at least 50% of the units that is specifically committed to the project. Sources may include project-based vouchers or other assistance from the local PHA, McKinney-Vento Homelessness grant, or other federal, state or local government source. The organization providing the subsidy must continue to hold the project in good standing while their funding is in place.

e. The project will not be considered for single-family lease purchase and senior housing points.

f. Preference will be given first to projects located in a Geographic Pool A city or in a county with a Geographic Pool A city.

g. All proposals for permanent supportive housing must compete in the PSH Pool.

h. In the Site & Market Evaluation, criteria for Housing Credit Vacancy Rate, Market Vacancy Rate, Penetration Rate, and Growth Rate of Income-Qualified Households will not be used in the PSH Pool.

i. General partners must be non-profit organizations with experience in developing, owning, or managing supportive housing for the homeless or special needs individuals/families.

3. Preservation (not to exceed $6,500,000)
Includes the following projects:

a. Projects receiving project-based rental subsidy through a Section 8 Housing Assistance Payment Program (HAP) contract. Documentation from HUD or the applicable Contract Administrator that evidences the assistance and length of the contract must be submitted if applicable.

A new owner must accept the project-based rental subsidy if it is offered by HUD. If a compelling reason exists for the new owner not to accept the subsidy, the applicant must submit a narrative that explains this decision and include letters supporting this decision from the resident council (if one exists), local government official(s), and a local or statewide low-income housing advocacy group that receives OTAG funding from HUD.

b. Troubled projects that have received assistance through the USDA Rural Development (RD) office. Applicants must provide a letter from the RD office that details the current situation for the project, explains the need for housing credits, and approves of the current or proposed owner(s) and management company.

c. Projects participating in the HUD Portfolio Reengineering Program. Applicants must provide a letter of eligibility from HUD and be assigned to a Participating Administrative Entity (PAE). Projects that have closed their financing under this program and have not yet placed-in-service are eligible for the pool.

d. Existing HUD Section 202 or 811 projects.

e. Existing HUD Section 236 projects. The Interest Reduction Payment (IRP) must be decoupled from the Section 236 agreement if housing credits are awarded (exceptions may be permitted on a case-by-case basis). The affordability requirements indicated in the Section 236 agreement must also be maintained for the property.

f. Projects that received a previous allocation of Housing Credits between 1987 and 1994 and were later completed and placed in service.

g. Other properties judged by OHFA to encompass the preservation of existing affordable housing.

The first priority of the Preservation Pool will be properties that have an existing project-based rental assistance contract with HUD, RD, or a comparable federal source. This preference will be reflected in the Site & Market Evaluation. All of the units in a project must be located in buildings meeting the definition of preservation. Additional community rooms and common space may be added to the project. Projects competing in the preservation pool must submit a capital needs assessment with their application that meets the standards outlined in Exhibit L. OHFA will use this assessment to determine whether the costs indicated in the application are appropriate considering the rehabilitation needs of the project.

Preservation projects with HUD assistance must submit a copy of the most recent REAC score for the property. If this score is less than 60, then the existing general partners and management company may not participate on the development team for the project, unless such entities demonstrate that they are in good standing with HUD and that their continuing participation will result in improvement of the condition of the property.

The preservation pool will be divided into two pools based on the geographic pool definitions. An amount not to exceed four million dollars ($4,500,000) of the state's annual per capita credit allocation will be designated to preservation projects, meeting one of the definitions above, located in Geographic Pools A or B. An amount not to exceed one million dollars ($2,000,000) of the state's annual per capita credit allocation will be designated to preservation projects, meeting one of the definitions above, located in Geographic Pool C. Geographic Pool C projects will be limited to an annual allocation of $600,000. The amount of credits requested must be sufficient for the financial feasibility of the project.

In the Site & Market Evaluation, criteria for Housing Credit Vacancy Rate, Market Vacancy Rate, Penetration Rate, and Growth Rate of Income-Qualified Households will not be used in the Preservation Pool.

<u>Geographic Pools</u> <u>(not to exceed $9,500,000 of the annual credit allocation)</u>

All buildings in a project must be located in one pool area. Projects located in multiple pools will not be permitted. For a definition of the pools refer to Exhibit G.

4. Geographic Pool C (rural areas): Not to exceed $2,000,000.

5. Geographic Pool B (suburban areas & mid-sized counties): Not to exceed $3,000,000.

6. Geographic Pool A (urban areas): Not to exceed $4,500,000.

<u>Maximizing Outcomes Pool</u>

The remainder of the annual credit allocation (approximately $3,000,000) will be awarded from the Maximizing Outcomes Pool at the discretion of OHFA. Applicants who do not receive credits in the target and geographic pools are eligible for this pool. Projects will be selected based on the criteria indicated below and other factors at the discretion of OHFA in order to meet program policies and goals that were not achieved in the other pools.

1. Consideration will be given to projects located in counties or submarkets that received the fewest number of credit awards in the target and geographic pools. The population and housing need in these areas will be considered.

2. Consideration will be given to projects in the target and geographic pools in which the total amount of credits awarded is significantly less than the maximum amount available in such pools.

3. CHDO Ownership: Consideration will be given if the majority owner/managing member is a state-certified Community Housing Development Organization (CHDO) and the proposed project is located in the established service area of the CHDO. This criterion is intended to meet the non-profit set-aside mandated in the Internal Revenue Code, and the CHDO set-aside for the HOME program.

4. Housing Authorities: Consideration will be given to projects under development by the local Public Housing Authority (PHA) using HOPE VI funds, Replacement Housing Factor (RHF) funds, or a loan secured by the assets and/or capital funds of the PHA as the primary source of financing. This criterion is intended so that up to two such projects may be funded from the annual per capita credit allocation.

5. Geographic Regions: Consideration will be given based on project location if the awards in the target and geographic pools have not achieved the following levels. The percentages are based on the number of income-eligible households in each region. (*See Exhibit H on Page 81 for a list of Geographic Regions.*)

   a. Northeast: minimum of 18% of the total allocation.
   b. Northwest: minimum of 6% of the total allocation.
   c. Central: minimum of 10% of the total allocation.
   d. Southeast: minimum of 4% of the total allocation.
   e. Southwest: minimum of 14% of the total allocation.

6. Housing Types: Consideration will be given based on project type if the awards in the target and geographic pools have not achieved the following levels:

    a. Senior Housing: minimum of 20% of the total allocation.
    b. Lease-Purchase Homes: minimum of 20% of the total allocation, with consideration for vacant housing properties as recommended by the Ohio Foreclosure Prevention Task Force.
    c. Family Apartments: minimum of 20% of the total allocation.

7. Consideration will be given to a Tier One or Tier Two organization (see Experience & Capacity Review) that did not receive credits in the target or geographic pools.

8. Consideration will be given to projects in either the RD or Preservation C pools that require credit amounts above the $600,000 limit based on financial need.

9. Consideration will be given to projects that receive either the federal or state Historic tax Credit.

10. Consideration will be given to proposals where a previous phase of the same multifamily development has been successfully constructed and placed into service and is operating at a high occupancy rate.

11. Consideration will be given to projects developed in a Qualified Census Tract, or Difficult Development Area.

12. OHFA reserves the right to deviate from the ordinary guidelines to make awards to projects in the maximizing outcomes pool. The criteria for these awards may be based on changing market conditions, geographic need or other factors OHFA deems significant.

Awards from this pool will be determined following the announcement of all other pool results. Refer to the Program Calendar for the announcement date.

The additional credit allocation available under the Housing & Economic Recovery Act of 2008 may also be awarded in this pool, or may be awarded to projects initially funded in 2007 or 2008 based on the status of the investor market for Housing Credits. OHFA will determine the use of this additional allocation when Housing Credit awards are announced.

Waiting List: Projects that do not receive a reservation will be placed on a waiting list for Housing Credits that become available via returns or the national pool later in the year.

If a project returns Housing Credits that were reserved during the current year in a target or geographic pool, then applications from that pool will receive first consideration for any award of credits. Any other available credits will be distributed according to the criteria of the maximizing outcomes pool. Please note that if a project returns credits that were awarded during the current year, then any HDAP or HDLP awarded must also be returned. Projects that receive credits from the waiting lists may then be considered for HDAP or HDLP funding, although that funding cannot be assured.

OHFA will contact representatives of the waiting list projects when Housing Credits become available. OHFA will set a deadline for the applicant to respond to any offer.

F. Threshold Review

Threshold review is a review of the full application to determine if it is complete; all necessary forms, supporting evidence, and fees are included; and the project meets minimum program requirements. Many requirements formerly evaluated as part of the point-based competitive review section are now included as threshold items. Unless noted otherwise, projects with tax-exempt bond financing must also meet all threshold requirements to receive Housing Credits.

OHFA will complete threshold reviews of applications and offer the applicants the opportunity to correct deficiencies in their applications.

The criteria are as follows:

1. Meets Section 42 Requirements

The project must meet all the requirements set forth in Section 42 of the Internal Revenue Code (IRC) of 1986, as amended, and all relevant U.S. Department of the Treasury regulations, notices, and rulings.

2. Complete, Organized Application

Applications must be submitted in a three-ring binder, utilizing the index provided with the application and an index tab for each numbered or lettered section, including sub-tabs. Applications must be complete and consistent with all supporting documentation. An original signature of a representative of each general partner/managing member is required in the program certification section of the application. Any applications that are incomplete, inconsistent, and/or illegible will be rejected. An electronic copy of the AHFA must be submitted on a computer disk.

Projects with threshold deficiencies will be charged a resubmission fee. The resubmission fee will equal $50 per corrected threshold review criterion up to a maximum of $500. This fee will apply to all applicants, including tax-exempt bond projects seeking an award of Housing Credits. Any items that will not be supplied with the initial application for a tax-exempt bond project must be agreed upon in advance in order to avoid the resubmission fee. If a resubmission fee check is returned for insufficient funds, the application will be rejected.

3. Extended Use

All projects must commit to an extended use term of a minimum of 30 years of affordability. Projects with tax-exempt bond financing must commit to an extended use term of the greater of 30 years or the outstanding term of the bonds. If an allocation of Housing Credits is received, the owner must file a Restrictive Covenant (provided by OHFA) to waive the right to petition OHFA to terminate the extended use term as described in Section 42 of the IRC.

4. Evidence of Site Control

The applicant must submit copies of the executed and recorded deed(s) of the current owner if the property is owned by a general partner or limited partner in the project.

If the current owner is not a general partner or limited partner in the project, then one of the following must be submitted to properly evidence site control:

a. Executed purchase option with date certain performance;
b. Executed purchase contract;
c. Executed land contract;
d. Executed long-term (35 or more years) lease agreement with an executed and recorded memorandum of lease; or
e. Executed option to enter a long-term lease agreement.

If parcels will be purchased from a City land bank, then a copy of the final City Council Resolution approving the transfer of all applicable lots may be submitted with the deeds of the current owner as evidence of site control.

Each of the site options or contracts may not expire until a reasonable period of time following the scheduled announcement date for Housing Credit awards. All option agreements relating to the transfer of a site must be included in the application.

The items listed above are the minimum required to meet threshold requirements. OHFA reserves the right to require, as needed, additional documentation that evidences proper site control.

A scattered-site project is required to have at least 35% of the sites under control. A project qualifies as scattered-site if there are 10 or more sites AND no more than 50% of the sites are contiguous. Contiguous sites are defined as two or more sites that share common boundaries, and cannot be separated by vacant or developed land, roadways, railroad tracks, rivers, creeks, etc. A site is defined as a parcel with an assigned permanent parcel number as it exists at application. OHFA reserves the right to reduce basis at Carryover if the minimum site control percentage at application is not maintained at Carryover.

5. Zoning

The applicant must demonstrate that the zoning for each site on which the project will be located allows for the use(s) proposed by the applicant. Thus, at a minimum, the zoning designation for each site must allow residential use. Applicants must submit a letter from the local jurisdiction to confirm the zoning that must include the following:

a. The actual zoning designation and a description of this designation;
b. Density and/or lot coverage requirements (if any);
c. If a conditionally permitted use, an explanation of the conditions to be met for the project to be considered a permitted use; and
d. A description of any overlay or planned development district regulations that would further condition the development of the project.

For jurisdictions with no zoning regulations in effect, a letter from the jurisdiction so stating is required.

OHFA recognizes that the zoning process is neither simple nor easy. OHFA reserves the right to grant waivers for zoning at the time of application if asked for in advance and the applicant can effectively demonstrate a good faith effort to secure proper zoning. Zoning must be secured by the time of award or the project will be considered ineligible.

6. Affirmative Marketing Plan

An Affirmative Fair Housing Marketing plan is required for all properties. Applicants that currently have a property with project based Section 8, 236 or USDA contracts will be able to utilize their current Affirmative Fair Housing Marketing plan provided it is **current.** OHFA, HUD and the USDA require that the plan be updated every five years therefore, if the plans current approval date is within six months of expiration, submit the current plan along with supporting documentation that demonstrates that an updated plan has been submitted to HUD or USDA for renewal.

The applicant must complete an Affirmative Fair Housing Marketing Plan (Form AFHM-98) if no other plan is in place. **All items on the form must be completed correctly including all attachments.** The instructions for the completion of the plan and reference materials are located on the OHFA website.

The applicant must include on the form a description of the outreach, marketing, and advertising methods used in order to affirmatively market the project. A **separate plan** is required for each census tract in which the project is located.

If you need assistance or have questions regarding the plan, contact TJ Burgess, Office of Program Compliance at (614) 995-0306 or tjburgess@ohiohome.org.

7. Conditional Financial Commitments

All non-OHFA construction and permanent financing, grants, equity sources and deferred fees or expenses shall be conditionally committed at the time of application. An executed conditional commitment letter from each source must be included with the application. A conditional financing commitment must contain, at a minimum, (a) the amount of financing; (b) the interest rate of the loan; (c) the term of the loan; (d) the amortization period or other repayment terms for the loan; and (e) the contact person's name and telephone number. A letter or explanation for all sources must be submitted.

Those applicants seeking funding from a local government, Federal Home Loan Bank, or other public or quasi-public funding source that does not issue a funding decision prior to the Housing Credit application deadline must substitute a letter of application or letter of intent from the funding source. The letter of application or intent must be signed by the funding source and shall include the name of the project, the number of units, the amount of funding sought, the terms and rates for the funding sought, the anticipated date of funding decision, and a statement that the project is, or will be, considered for funding.

A conditional equity commitment must contain, at a minimum, (a) the amount of Housing Credit equity (net and gross); (b) the pay-in schedule for the equity; (c) the cents per Housing Credit dollar factor used; and (d) the amount of historic equity (if any). The conditional commitment letters must be consistent with the information provided on the Housing Credit application and must be signed and dated no more than six months prior to the application deadline.

OHFA reserves the right to verify any financial commitment(s) and to require a legal opinion indicating whether the project's sources should or should not affect the project's eligible basis and/or Housing Credit percentage.

Projects participating in the HUD portfolio re-engineering program (Mark-to-Market) must provide a copy of the most recent underwriting model, if available, or other acceptable evidence to substantiate the anticipated amount of any HUD second mortgage.

Applicants who have been denied other OHFA financing for their project may be required to submit conditional financial commitments that will replace funding sought from OHFA. Failure to provide these conditional commitments may result in rejection of the application or revocation of the project's Housing Credit reservation.

8. Maximum Credit Per Project (*not applicable for bond financed projects*)

A project may receive no more than $1,000,000 in annual Housing Credits.

9. Unit Cost Cap

The total development cost (total project cost minus cost of land, commercial hard construction, bridge loan interest, operating reserves, OHFA compliance monitoring fee and replacement reserves) per unit must not exceed the 2008 HUD 221 (d)(3) mortgage limits by bedroom size (see Exhibit B).

Projects receiving historic rehabilitation tax credits will be allowed to deduct the residential portion of the historic tax credit from the project cost to allow for stricter rehabilitation standards. OHFA may, on a case-by-case basis, allow a project receiving historic rehabilitation tax credits or participating in the HUD portfolio re-engineering program to exceed the unit cost cap. A request to waive this requirement must be submitted with the application. However, total adjusted eligible basis (before qualified census tract adjustment) will be limited to the HUD 221(d)(3) mortgage limits in any case.

10. Utility Allowance Information

Utility allowance information must be submitted that is consistent with Section 42 of the IRC and IRS Regulation 1.42-10.

11. Adherence to Agency Underwriting Standards

Projects must meet certain underwriting standards to pass the threshold review. In addition, OHFA may require a legal opinion stating that any government sources utilized by the project will or will not affect the eligible basis and/or credit rate as a condition of the Housing Credit reservation. OHFA reserves the right to combine the costs for projects located in close proximity to each other and sharing similar attributes. OHFA will use the combined costs to evaluate the fee percentages for the projects. The project must comply with the following underwriting standards:

a. Developer fees & overhead and any consultant fees may not exceed the sum of:
   i. 15% of total rehabilitation and new construction eligible basis, and
   ii. 5% of total acquisition eligible basis; however, a fee up to 10% of total acquisition eligible basis will be permitted for projects that require the approval of HUD for the transfer of the property.

b. Contractor's profit, overhead, and general requirements may not exceed 14% of total rehabilitation and new construction eligible basis.

c. Total soft costs may not exceed 35% of total eligible basis. Total soft costs is the sum of general requirements, contractor overhead, contractor profit, architectural fees, survey costs, engineering fees, permanent loan fees, cost of tax-exempt bond issuance, taxes, appraisal, market study, environmental report, rent-up/marketing costs, title & recording fees, non-syndication legal fees, accounting fees, developer fees & overhead, consultant fees, organizational fees, and syndication expenses.

d. The total permanent financing sources must equal the total project costs at the time of application. After the initial OHFA underwrite, any financial shortfalls cannot exceed 10% of total project costs.

e. Proposals found to be either financially feasible without a credit allocation, or to be financially infeasible in any case, will be rejected.

12. Consistency with HDAP Funding

Projects seeking funding through the Housing Development Assistance Program (HDAP) must initially meet the following requirements:

a. A minimum of 40% of the units must be occupied by and affordable to households at or below 50% of AMGI for projects located in a Participating Jurisdiction (PJ). The HDAP/HOME-assisted units cannot exceed the HUD Low- and High-HOME rent for the county where the project will be located. If the project is located in a non-participating jurisdiction, a minimum of 35% of the units must be occupied by and affordable to households at or below 50% of AMGI, with rents for the HDAP/HOME-assisted units at the HUD Low- and High-HOME rent.

b. Completion of the appropriate section of the AHFA.

c. The applicant must comply with all requirements of the HDAP Guidelines.

d. A project that receives HOME funds must comply with all HOME program rules, including environmental review and the requirement that residents may not be evicted other than for good cause.

e. A sole for-profit applicant that receives Ohio Housing Trust funds must comply with State Prevailing Wage requirements.

f. In order to receive HDAP funding the applicant must select one of the following elections:

   i. 5% of the units occupied and affordable to households with incomes at or below 35% AMGI (projects located in non-Participating Jurisdictions); or

   ii. 10% of the units occupied and affordable to households with incomes at or below 35% AMGI (projects located in Participating Jurisdictions).

These units may be included as part of the rent restricted units required in Criterion 16, Additional Rent Restrictions.

13. Conformity with Local Consolidated Plan or CHIS

Applicants must evidence that their project meets community housing needs through the local Consolidated Plan or Comprehensive Housing Improvement Strategy (CHIS). Applicants will be required to secure approval from the local agency that administers the Consolidated Plan or CHIS. It is the responsibility of the applicant to determine which plan applies. Please see Exhibits D and E for a listing of cities and counties with a Consolidated Plan or CHIS. If no local Consolidated Plan or CHIS exists in the community in which the project is located, the project must conform to the state Consolidated Plan. A completed OHFA Form 004 signed by the appropriate official from the city, county, or state must be included with the application.

14. Development Team Standards

a. Management Company. The proposed management company must meet the following standards:

i. The company must currently be a member of at least one of the following organizations or associations:
- National Assisted Housing Management Association (NAHMA)
- Midwest Assisted Housing Management Association (MAHMA)
- National Leased Housing Association (NLHA)
- Council for Affordable Rural Housing (CARH)
- Council for Rural Housing and Development of Ohio (CRHDO)
- American Association for Homes and Services for the Aging (AAHSA)
- Association for Ohio Philanthropic Homes and Housing for the Aging (AOPHA)
- A special needs association with a focus on housing management training for that special needs population
- American Association of Service Coordinators
- National Apartment Association
- Institute Of Real Estate Management (IREM)
- National Association of Housing and Redevelopment Officials (NAHRO)

ii. A representative of the management company has earned one of the following certifications: Housing Credit Certified Professional (HCCP) sponsored by the National Association of Home Builders; Specialist in Housing Credit Management (SHCM) sponsored by NAHMA; or equivalent certification from a nationally recognized consultant or association, including but not limited to TheoPro Compliance & Consulting Inc., Quadel Consulting or Spectrum Seminars.

iii. The company must have managed at least five housing credit and/or federally subsidized developments (at least 10 units each) for at least one year each or have managed two housing credit projects (at least 10 units each) for at least three years each. All projects currently managed by the proposed company must not have any uncured Forms 8823. Exceptions may be granted on a case-by-case basis for 8823 events that are not the fault of the management company, such as a casualty loss, or if a management company inherits non-compliance issues from the prior manager. Also, exceptions to the experience requirement will be made for new companies that meet requirements (i.) and (ii.) above and whose principals can demonstrate previous management experience with no record of uncorrected noncompliance.

15. Ohio Housing Locator

The owner and/or property manager of all Housing Credit properties funded in 2008 and in the future will be required to list their properties in the Ohio Housing Locator (www.OhioHousingLocator.org), the OHFA-sponsored statewide affordable housing database, as soon as the units are placed in service.

16. Additional Rent Restrictions

Applicants must select one of the following elections based on the location of the proposed project:

a. 60% of the units affordable to households with incomes at or below 50% AMGI (projects located in Geographic Pool A or B); or

b. 40% of the units affordable to households with incomes at or below 50% AMGI (projects located Geographic Pool C, except for counties listed below); or

c. 30% of the units affordable to households with incomes at or below 50% AMGI (projects located Belmont, Lawrence, or Washington Counties).

d. 100% of the units affordable to households at or below 60% AMGI for all bond financed projects

17. Senior Housing (*not applicable for bond financed projects*)

Applicants proposing housing which sets aside 100% of the units for households containing at least one person who is age 55 years or older will receive are required to provide an experienced service coordinator, evidence of service coordinator salary or an in-kind service agreement, additional market study requirements and supportive service plans containing specified services (see Exhibit J). With regard to the supportive service plans, applicants will be permitted to provide minimal updates to their plans during the threshold correction period. However, in order to meet threshold requirements, a reasonable quality plan must be included with the original application by the submission deadline.

Additional requirements are as follows:

a. all buildings must contain only one story unless an elevator is provided;

b. units may contain no more than two bedrooms;

c. the project must contain common space equal to the lesser of 5% of the total residential square footage for the entire project or 20 square feet per number of units in the entire project;

d. the project must set-aside at least $100 per unit annually for service coordination, evidenced as an operating expense in the AHFA; and

18. Universal Design Features (*not applicable for bond financed projects*)

Projects are required to provide the general universal design requirements as well as the universal design features for both kitchens and bathrooms. Details of these requirements can be found in Exhibit N.

19. Single-Family Lease Purchase (*not applicable for bond financed projects*)

Proposals for single-family lease purchase homes must have a viable homeownership strategy for residents who inhabit the units during the compliance period. The strategy must incorporate an exit strategy, calculation of the estimated purchase price for the resident, homeownership counseling, and a minimum amount of funds set-aside by the owner to assist the resident in the purchase. Family supportive services must also be provided for the residents as outlined in Exhibit J.

All sites must be owned (long-term leases are unacceptable) and properly sub-divided by the Carryover submission deadline. If the owner is unable to subdivide parcels before the Carryover deadline, then OHFA will add a condition to the Carryover Allocation Agreement that will require that the site(s) be subdivided and new updated legal descriptions be submitted to OHFA prior to the request for the 8609 Forms.

All units must be single-family detached structures with a lease-purchase option to meet threshold requirements. The detached structures in new construction projects must be at least four feet apart and neither joined nor touching in any manner.

20. Family Supportive Services (*not applicable for bond financed projects*)

Both multifamily developments (non-senior) and single-family lease purchase proposals must provide the following services: providing referrals to local jobs programs; counseling residents as to available educational and training programs that can secure one's place in the workforce or enhance the likelihood of advancement; credit counseling and consultation; and referrals to day care, after school, and health care / wellness programs. The building design may be multi-family or single-family. Applicants will be required to submit a supportive service plan containing specific services and demonstrating linkages with local services agencies as outlined in Exhibit J.

Application Corrections: Applicants will have the opportunity to correct administrative errors or omissions found during the application review process.

During the review periods, OHFA will notify each applicant of any administrative deficiencies, and applicants will have one week to submit additional information to correct any administrative errors. OHFA will not accept any additional information after the one week correction period. All changes including but not limited to changes in ownership, development team, project physical structure, project costs, project financing, site(s), special needs population, and project location will not be permitted. Please be advised that certain items are date-sensitive and must have been completed on or before the application deadline.

Response period: OHFA will strive to complete site, design and market reviews within one (1) business week following the on-site review. Applicants will receive a digital draft copy of the review forms via e-mail upon completion of the review. In order to ensure the highest possible standard of accuracy, thoroughness and service, applicants will have one (1) business week from the date the review was sent in order to provide a written response to issues addressed in the review. OHFA will then review the response, make any adjustments deemed necessary and appropriate and provide a final digital copy of the review via e-mail within one (1) business week of receiving the response.

G. Financial Underwriting

If a project is selected to receive a reservation or allocation of Housing Credits, OHFA will underwrite said project to ensure that it receives the minimum amount of Housing Credits necessary to assure project feasibility and viability throughout the Housing Credit period. This includes tax-exempt bond financed projects that are excluded from the state's Housing Credit allocation ceiling. OHFA is required to perform the Housing Credit evaluation three times:

1) Prior to issuing a Binding Reservation Agreement or Letter of Eligibility.
2) Prior to issuing a Carryover Allocation Agreement (does not apply to tax-exempt bond projects).
3) At the time the project is placed-in-service and requests IRS Form(s) 8609.

After the first underwriting analysis, OHFA will issue a Binding Reservation Agreement. The reservation amount will not necessarily equal the amount of Housing Credits requested in the application. In addition, the Housing Credit amount may be reduced at any underwriting stage.

If the credit percentage has not been elected, then OHFA will use the current month's applicable Housing Credit Percentage at Binding Reservation and/or Carryover to calculate the value of the Housing Credits. The owner may elect to lock in the current month's applicable Housing Credit Percentage at reservation or at placed-in-service. However, the reservation Housing Credit amount is the maximum that a project may receive no matter what the housing credit percentage may be in the future.

An owner may appeal a reduction of credits resulting from the financial underwriting analysis. OHFA will only consider an appeal if the owner can demonstrate that the reason(s) the project cannot meet OHFA underwriting standards is outside the control of the owner and could not be reasonably anticipated before the initial application date. OHFA will review each appeal independently and will have discretion in its decisions. In order to appeal, the owner must submit a complete appeal in writing along with an appeal processing fee of $250. These appeal requirements are retroactive to projects funded in prior years.

OHFA will review all projects receiving a Binding Reservation Agreement, Letter of Eligibility, Carryover Allocation Agreement or 8609 Forms using the following procedures:

1. The applicant's determination of adjusted eligible basis will be reviewed. All non-eligible costs will be deducted from the basis.

a. OHFA will verify the applicable fraction for each project. The applicable fraction is defined as the lesser of (a) the number of low-income units divided by the total number of units or (b) the residential low-income unit square footage divided by the total residential square footage.

b. Owners of projects with market rate units must demonstrate in the application that all amenities (i.e. garages, community buildings, parking spaces, etc.) are available to all units. If certain amenities are only available to the market rate units, the costs for these amenities must be deducted from the eligible basis. Also, if the market rate units are larger and of higher quality than the low-income units, the basis for the market rate units will be reduced to match the basis for the low-income units. OHFA reserves the right to request additional information to clarify any issues regarding the market rate units.

c. The acquisition eligible basis cannot exceed the value of the property at or before the date of acquisition (the date of acquisition equals the date the deed or lease is recorded) as determined by the appraisal of the property (see G. Carryover Allocation). The estimated value cannot include the value of the Housing Credits.

d. For projects receiving “soft” loans (e.g. HOME, deferred fees, AHP, etc.), owners must adequately explain in their application and cost certification form the repayment schedule of these loans. Projects with deferred interest and principal exceeding the total project cost at the end of the 15th year must submit a legal opinion upon issuance of a reservation. The legal opinion must state whether the “soft” loans should be considered grants and be deducted from eligible basis.

e. Applicants must include an operating reserve as part of the total project cost. The operating reserve must equal at least four months of operating expenses and hard debt payments. The maximum operating reserve allowable must be equal to or less than twelve months of operating expenses and hard debt payments. This reserve is not included as part of the project’s eligible basis. Applicants who believe a reserve is unnecessary for their project may, upon clear demonstration to OHFA, request a waiver. The request and reasons for the waiver must be in writing and must accompany the application. OHFA reserves the right to approve or disapprove requests and to exclude reserves from its unit cost analysis on a case-by-case basis. For projects financed with tax-exempt bonds with credit enhancement, the minimum operating standard is reduced from four to two months of operating expenses (does not include replacement reserves) and hard debt payments.

f. Projects may receive an allocation of credit based upon 130% of the qualified basis for new construction or substantial rehabilitation if the project is located in the following designated areas of the state:

i. Qualified census tracts, and difficult development areas. The U.S. Department of HUD publishes a list of qualified areas for 130% basis (refer to Exhibit C for a list of QCT).
ii. Areas of high land cost due to being located in high income or commercially desirable locations. Applicants will need to secure pre-approval from the Tax Credit Allocation Manager, prior to the application dealine in order to be eligible for this opportunity.
iii. Projects addressing the issues related to vacant properties and foreclosed homes.
iv. Projects located in the 29 Appalachian counties as defined by the Ohio Department of Development’s Office of Strategic Research (listed in Exhibit XXXX)

g. The evaluation of acquisition basis is determined separately from new construction and rehabilitation basis. Losses in one type of basis may not be offset by increases in another type without notification and the approval of OHFA.

2. All fees, costs, and assumptions will be checked to determine if they meet Agency standards.

a. OHFA will require a minimum amount of investor equity per dollar of Housing Credits. The minimum amount will be determined and published two months prior to the application deadline based on equity market conditions at that time. Applicants for projects located in a qualified census tract that have difficulty achieving this standard may, upon clear demonstration to OHFA, request a waiver. The request and reasons for the waiver must be in writing and must accompany the application. OHFA reserves the right to approve or disapprove requests on a case-by-case basis. The equity per dollar of tax credit will be evaluated based on the percentage of the limited partner ownership of the project. OHFA reserves the right to modify the equity standards at any time based on fluctuations in the equity market.

b. The number of units and square footage in the project must remain constant from date of application to the placed-in-service date. If the number of units or square footage decreases at any time, the project's eligible basis may be proportionally reduced by the decrease in units or square footage, potentially reducing the Housing Credit amount.

c. Applicants must show that the deferred developer's fee (principal and interest, if any) can be paid in full from annual income within the first 15 years. Any unpaid or deferred balance after Year 15 will be deducted from the housing credit eligible basis.

3. The project's total sources must always equal the total project cost. If the sources exceed the costs, OHFA will first reduce Housing Development Assistance Program (HDAP) funding or Housing Development Loans, and may also reduce the Housing Credit amount so that sources equal costs.

4. The Net Operating Income (NOI) is calculated according to OHFA standards, and is then compared to the annual debt service payments to make sure there is positive and adequate debt service coverage.

a. The hard debt coverage ratio (DCR) must be above 1.15. Owners of projects with a hard debt coverage ratio lower than 1.15 must provide a written explanation from their lender(s) describing the reasons for their willingness to accept a low DCR. OHFA has discretion to waive this requirement based on documentation provided by the owner.

b. Project must be able to obtain a Hard DCR of 1.15 and fully fund replacement reserves for each year during the 15-year compliance period. For projects with no hard debt, annual income must equal 115% of operating expenses and reserves for each year during the 15-year compliance period.

c. Only rental income will be used in the cash flow analysis. Income from commercial space, fees, and other income will not be considered. Exceptions may be granted for special situations – i.e., existing commercial, long-term lease, documented prior income, etc.

d. For market rate units, OHFA will assume the lower of the proposed rents or the maximum Housing Credit program rents (60% of AMGI) in its analysis.

e. The DCR for all debt sources may be no higher than 1.30. If the DCR is too high, the following will happen:

OHFA will first reduce the amounts of other OHFA resources, such as HDAP or Housing Development Loans. If further reductions are necessary, a new loan amount will be calculated to reflect a lower DCR. The characteristics of the new loan will be: rate = prime + 3 (published in the Wall Street Journal) and term/amortization period = 25 years. The new loan will be added to the project's permanent sources. The new loan amount is an artificial gap created by OHFA. If the gap exceeds 10% of total project costs, OHFA will require that the owner obtain additional financing to cover the gap before issuing a reservation/allocation.

f. For owners who are not syndicating the Housing Credits, OHFA will include the annual Housing Credit amount as part of the total cash flow in order to determine the DCR.

g. The project's annual operating expenses per unit must fall within 10% of the average costs, based on region and project type (see Exhibit P). Exceptions may be made for projects with special circumstances. Owners must provide persuasive evidence in order to secure a waiver of these standards.

h. OHFA has adopted maximum and minimum annual replacement reserve standards.

Project Type:	New Construction – Senior Housing	Acquisition/Rehabilitation or New Construction – non-senior
Maximum:	$350 per unit	$400 per unit
Minimum:	$250 per unit	$300 per unit

For Rural Development and FHA-financed projects, OHFA will use the reserve limits prescribed by those agencies. Exceptions may be made for projects with special circumstances. Owners must provide persuasive evidence in order to secure a waiver of these standards.

i. OHFA will assume an annual income increase of 2% and an annual expense increase of 3%.

J. Binding Reservation Agreement

After OHFA has determined which projects will receive Housing Credits, a Binding Reservation Agreement will be mailed to the primary project contact. The original Binding Reservation Agreement and Credit Rate Election form must be signed and notarized by the owner/general partner during the month the agreement was issued. The Binding Reservation Agreement, Credit Rate Election form and reservation fee (equal to 5% of the reservation amount), and any additional documentation listed in the Agreement, must be sent to OHFA by the fifth day of the following month in which the agreement was issued, or the reservation of Housing Credits will be invalid.

A copy of the Phase I Environmental Review (ER) report for all sites must be submitted as a condition of receiving a Binding Reservation Agreement. The report(s) must comply with current OHFA standards available at www.ohiohome.org. The owner must submit a narrative that addresses any issues raised in the report(s). OHFA reserves the right to reject any sites indicated to have environmental problems or hazards.

K. Carryover Allocation

All projects must meet all Carryover Allocation requirements as described in Section 42 of the Internal Revenue Code (IRC) and in Treasury Regulation 1.42-6.

The following items must be submitted for all projects that received a reservation of Housing Credits by the Carryover submission deadline:

1. Completed OHFA Cost Certification forms (*the most current version*) signed by the owner and by the accountant or attorney. The forms must evidence that the "10% test" required by Section 42 of the IRC has been met. The forms and instructions are available on the OHFA web site or by contacting the Office of Planning, Preservation & Development at (614) 466-0400 or (888) 362-6432.

2. Evidence that a Federal Tax ID number has been obtained for the ownership entity.

3. The project owner must, at a minimum, acquire all property or have entered into a long-term leasehold agreement. Acquisition must be evidenced by a copy of a recorded deed or recorded long-term lease for each site. Owners must also provide legible legal descriptions and permanent parcel numbers for each site. These items will be used to facilitate the production of the project's Restrictive Covenant. If the owner is unable to subdivide parcels before the Carryover deadline, then OHFA will add a condition to the Carryover Allocation Agreement that will require that the site(s) be subdivided and new updated legal descriptions be submitted to OHFA prior to the request for the 8609 Forms.

4. Conditional commitment letters, including equity commitments, from non-OHFA lenders must be updated from those submitted with the application.

5. An appraisal meeting OHFA requirements if the project is seeking acquisition credit. Those requirements include:

a. Preparation by a third-party appraiser licensed in the State of Ohio. Name, address, and license number must be included.

b. A statement of the estimated value of the property at or before the date of acquisition (the date of acquisition equals the date the deed or lease is recorded). The estimated value cannot include the value of the Housing Credit.

c. Adherence to the Uniform Standards of Appraisal Practice. A statement to this effect must be included in the report.

d. Conducted during 2008, although OHFA will consider earlier reports on a case-by-case basis. An appraisal submitted with the original application that meets all other requirements will be accepted.

6. All rehabilitation projects must submit a capital needs assessment performed by a third party professional. The assessment must meet the standards outlined in Exhibit L. For scattered-site rehabilitation projects, a capital needs assessment must be performed for only 50% of the buildings. Based on the assessment, OHFA reserves the right to adjust the project's total project costs and eligible basis, which may affect OHFA's financial analysis of the project.

7. Any additional conditions that appeared on the reservation with a performance date by Carryover submission.

Projects that meet all requirements will be given a Carryover Allocation Agreement and a Building Identification Number (BIN) for each building in the project. Those buildings receiving credits for both acquisition and rehabilitation will receive one BIN for both Housing Credit types.

A Carryover Allocation Agreement is considered to be binding and will give the applicant 24 months from the end of the allocation year to complete the project and place the units in service. OHFA reserves the right to add conditions or require follow-up items in the Carryover Agreement that must be met before OHFA will issue 8609 Forms to the owner.

A request to extend the Carryover submission deadline for the 10% test or property ownership requirements must be submitted in writing with an extension fee in the amount of 5% of the Binding Reservation fee. OHFA will only approve extensions if the owner is unable to acquire the property until a later date and arrangements are made in advance. All other Carryover submission requirements must be met by the deadline.

Projects that will be completed and placed-in-service in the same year in which they received a reservation should request 8609 form(s) and not a Carryover Allocation Agreement. The owner of the project must submit all appropriate request documentation by the Carryover submission deadline for that year.

L.. Project Completion Stage / 8609 Request

Upon project completion, the owner must notify OHFA of the placed-in-service date of each building and submit or complete the following items to request 8609 Forms:

1. Complete OHFA Cost Certification forms (the most current version) signed by the owner and by an independent accountant. The accountant will be required to conduct a complete audit of the project costs. The required audit language is included on the forms. The forms and instructions are available on the OHFA web site. An electronic copy of the forms must also be submitted on a computer disk.

2. Final Certificates of Occupancy from the issuer of the building permits. Certificates of completion or similar information from the owner will be accepted for rehabilitation projects if certificates of occupancy are not issued. Temporary certificates of occupancy are required if the dates on such certificates will be used as the placed-in-service dates for the buildings. OHFA reserves the right to conduct a site visit of a property to verify completion before issuing 8609 Forms to the owner.

3. All permanent financing sources (except for the first or primary mortgage) must be closed before the 8609 Forms are issued. An executed promissory note that includes the amount, interest rate, term, and amortization or repayment terms of the loan must be submitted for each source. In lieu of a note for the first or primary mortgage, a firm financing commitment signed by the lender and owner within 30 days of the request for the 8609 Forms may be submitted. This requirement is retroactive to projects that have not yet received 8609 Forms.

4. Final limited partnership agreement executed by the limited and general partners. The agreement must include all equity amounts and the pay-in schedule for the equity.

5. A copy of the executed and recorded OHFA Restrictive Covenant, and a consent of recorded lienholder form from each non-OHFA lending source.

6. Payment of the appropriate compliance monitoring fee.

7. Evidence that a representative of the project has attended the OHFA Basic Tax Credit Compliance Training within six (6) months prior to the placed-in-service date for the first building completed.

8. Owner/manager has conducted a placed in service meeting with the OHFA Office of Program Compliance.

9. Completion of the final Energy Efficiency Certification form for the year of allocation (if applicable).

10. Narrative describing any material changes to the project since time of application.

The request for 8609 Forms must be submitted by the date listed in the Carryover Allocation Agreement. An extension of this deadline may be granted by OHFA upon request. However, any extension will not apply to payment of the compliance monitoring and multiple building project fees.

Requests for 8609 Forms and corrections or clarifications to previous submissions are reviewed in the order submitted. OHFA will issue 8609 Form(s) up to 90 days after a complete request has been submitted. An incomplete or insufficient request will not be processed until all items are submitted, which may result in a delay of the 8609 Form issuance. The closeout process for any Housing Development Assistance Program funds awarded to the project must also be completed before 8609 Forms are issued. Any corrections or clarifications requested by OHFA must be submitted within three (3) months or a resubmission fee of $250 will be charged. OHFA reserves the right to defer processing 8609 Form requests that are received during a future competitive funding round.

When a project financed with tax-exempt bonds is eligible for a higher amount of credit, the owner must inform OHFA of the benefit of the additional housing credits and advise if any documentation must be updated due to the increase.

M. Projects with Tax-Exempt Bond Financing

Projects receiving tax-exempt bonds that finance over 50% of the project's total aggregate basis may apply for an award of Housing Credits. These applicants must submit all items indicated in the Site & Market Evaluation and Threshold Review for Full Applications sections, and must meet all threshold review requirements in each section of the QAP and the financial underwriting standards in order to receive a letter of eligibility for Housing Credits. These projects are not subject to the competitive criteria indicated in the QAP. OHFA is the final judge of eligibility for the amount of Housing Credits awarded to all tax-exempt bond financed projects. Project-specific conditions will be listed in the eligibility letter. The Maximum Credit Cap requirements do not apply to these projects. In addition, OHFA may waive the Unit Cost Cap criterion for tax-exempt bond financed projects. Applicants must include a narrative with the application that describes the need for this waiver. OHFA has the sole discretion to approve such requests and will judge each request on a case-by-case basis.

In addition to the threshold and underwriting requirements listed in the QAP, the applicant must also meet the following requirements:

1. For non-OHFA-issued bonds, the inducement resolution or final approval resolution of the issuer is required. In addition, a letter from the bond underwriter indicating the anticipated interest rate, term, and amortization of the bonds must be submitted.

2. For OHFA-issued bonds, the Housing Credit letter of eligibility will be executed following final approval of the bond issuance by the OHFA Board.

3. OHFA reserves the right to require a legal opinion stating that the project is eligible to receive an allocation of Housing Credits pursuant to Section 42(h)(4) of the Internal Revenue Code.

4. The developer must submit a resume of their past experience, including affordable housing references that may be checked by OHFA. The developer will be required to respond to any negative references found by OHFA.

5. A representative of the developer or management company must meet with OHFA Program Compliance staff within six (6) months following issuance of the letter of eligibility to review management practices and establish a timetable for the placed-in-service review.

6. All rehabilitation projects must submit a capital needs assessment performed by a third party professional. The assessment must meet the standards outlined in Exhibit L. For scattered-site rehabilitation projects, a capital needs assessment must be performed for only 50% of

the buildings. Based on the assessment, OHFA reserves the right to adjust the project's total project costs and eligible basis, which may affect the financial analysis of the project.

These projects will be underwritten using the same standards outlined in these guidelines except that the owner has the option to elect the Housing Credit rate during the month in which the bonds are issued or the month the project is placed-in-service. Please note that the rate election period is tied to the month the notice of issuance indicates. If a project closes in escrow, the rate election applies to that month, not when the final closing occurs. Furthermore, if a bond closes in escrow and does not make a rate election in that month, the credit rate utilized will be the credit rate applicable at the time and for the month in which each building is placed-in-service. Please note that the owner has up to five days following the month in which the bonds are issued to notify OHFA of the rate election, otherwise the month the project is placed-in-service will be used.

Applications for bond-financed properties may be submitted at any time during the year. The items required for the Experience & Capacity Review must be submitted two weeks in advance for OHFA consideration. All other required items may then be submitted with the full application for housing credits. If public notification requirements have been met and any threshold deficiencies have been corrected, OHFA may take up to six (6) weeks to review an application and issue a letter of eligibility. These projects will not need a Carryover Allocation Agreement, but the owner must follow all 8609 Form request procedures outlined in the QAP (see Page 50) and any conditions outlined in the letter of eligibility. Applicants must provide to OHFA (by the Carryover submission deadline or date specified in the eligibility letter) the following items:

1. A copy of the property's recorded deed, legal description, and permanent parcel numbers.

2. An appraisal meeting OHFA requirements if the project is seeking acquisition credit. Those requirements include:

    a. Preparation by a third-party appraiser licensed in the State of Ohio. Name, address, and license number must be included.

    b. A statement of the estimated value of the property at or before the date of acquisition (the date of acquisition equals the date the deed or lease is recorded). The estimated value cannot include the value of the Housing Credit.

    c. A statement of adherence to the Uniform Standards of Appraisal Practice. A statement to this effect must be included in the report.

    d. Evidence that the appraisal was conducted during 2008, although OHFA will consider earlier reports on a case-by-case basis. An appraisal submitted with the original application that meets all other requirements will be accepted.

FOR OHFA ISSUED BONDS, PLEASE CONSULT THE MOST RECENT OHFA MULTIFAMILY BOND PROGRAM GUIDELINES FOR APPROPRIATE SUBMISSION DEADLINES.

III. MONITORING

A. Introduction

The monitoring process determines if a project is complying with requirements of the Internal Revenue Code (IRC). The Housing Credit monitoring process is outlined in IRC Section 42, IRS Regulation 1.42, the QAP, the OHFA Compliance Handbook, and other OHFA policies.

Compliance with the requirements of the IRC is the sole responsibility of the owner of the building for which the Housing Credit was allocated.

B. Monitoring Process

Housing Credit projects are required to comply with the following, in addition to other requirements described in the OHFA Compliance Handbook:
:

1. All residents must be income qualified, adjusted for family size prior to moving into the unit. Units must be rent restricted as provided for in the IRC. All units allocated Housing Credits must be safe, decent and sanitary housing units complying with local building, health, safety, and zoning codes.

2. Before placing the project in service, the owner/agent must schedule a ""placed in service meeting" with the OHFA Program Compliance Training and Technical Assistance team to discuss the lease up of the tax credit project. OHFA will attempt to combine placed in service meetings when an owner/agent is placing several projects into service within the same general time period. OHFA may elect to waive this requirement.

3. Prior to the placed-in-service date, the owner/agent individual(s) responsible for final approval of tenant files or the site manager/leasing consultant who processes the Tenant Income Certifications for buildings receiving 8609 Forms will be required to attend the OHFA Basic Tax Credit Compliance Training, or an approved training, within the previous six (6) months. Please contact the OHFA Office of Program Compliance or the Midwest Affordable Housing Management Association (MAHMA) regarding registration for this training.

4. Within 15 days of placing the last building in service, the project owner must forward a letter to the OHFA Compliance Analyst assigned to the project indicating the date on which the last building was placed in service. Based on this communication, the project will be preliminarily scheduled for a lease up monitoring visit.

5. The owner of a Housing Credit project must keep records for each qualified low-income building in the project for each year of the compliance and extended use period. These records must include the following for each building in the project:

    a. The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit);

    b. The percentage of residential rental units in the building that are low-income units;

c. The rent charged on each residential rental unit in the building (including any utility allowances);

d. The number of occupants in each low-income unit;

e. The unit vacancies in the building and information showing when, and to whom, the next available units were rented;

f. The annual income certification of each low-income tenant per unit;

g. Documentation to support each low-income tenant's income certification. Tenant income is calculated in a manner consistent with the determination of annual income under Section 8 of the United States Housing Act of 1937 ("Section 8"), not in accordance with the determination of gross income for federal income tax liability;

h. The eligible basis and qualified basis of the building at the end of each year of the credit period, compliance and extended use periods; and

i. The character and use of the non-residential portion of the building included in the building's eligible basis under IRC Section 42(d).

6. The owner of a Housing Credit project is required to retain the records described in number five (5) above for the entire period of extended use.

7. The owner is responsible for reporting to OHFA annually in the form and manner that OHFA specifies. The reporting process is currently requires the submission of an owner certification, resident and project data, as well as other reports and certifications necessary to evidence compliance with any gap financing provided through an OHFA program. When completing the owner certification, The owner is certifying that for the preceding 12-month period the owner met the following requirements:

   a. The 20-50 test under IRC Section 42(g)(1)(A), the 40-60 test under section 42(g)(1)(B), whichever minimum set-aside test was applicable to the project; and if applicable to the project, the 15-40 test under sections 42(g)(4) and 142(d)(4)(B) for "deep rent skewed" projects;

   b. There was no change in the applicable fraction (as defined in section 42(c)(1)(B)) of any building in the project, or that there was a change, and a description of the change;

   c. The owner has received an annual income certification from each low-income tenant, as appropriate, and documentation to support that certification; or, in the case of a tenant receiving Section 8 housing assistance payments, the statement from a public housing authority described in paragraph (b)(1)(vii) of this section;

   d. Each low-income unit in the project was rent-restricted under Section 42(g)(2);

   e. All units in the project were for use by the general public and used on a non-transitional basis (except for transitional housing for the homeless provided under Section 42 (i)(3)(B)(iii));

   f. Each building in the project was suitable for occupancy, taking into account local health, safety, and building codes;

   g. There was no change in the eligible basis (as defined in Section 42(d)) of any building in the project, or if there was a change, the nature of the change (e.g. a common area has become commercial space, or a fee is now charged for a tenant facility formerly provided without charge);

h. All tenants facilities included in the eligible basis under Section 42(d) of any building in the project, such as swimming pools, other recreational facilities, and parking areas, were provided on a comparable basis without charge to all tenants in the building;

i. If a low-income unit in the project became vacant during the year, that reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units in the project were or will be rented to tenants not having a qualifying income;

j. If the income of tenants of a low-income unit in the project increased above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the building was or will be rented to tenants having a qualifying income;

k. The owner has not refused to lease a unit in the project to a Section 8 applicant because the applicant holds a Section 8 voucher or certificate;

l. No finding of discrimination under the Fair Housing Act has occurred for the project (a finding of discrimination includes an adverse final decision by HUD, an adverse final decision by a substantially equivalent state or local fair housing agency, or an adverse judgment from a Federal court);

m. For the preceding 12-month period no tenants in low-income units were evicted or had their tenancies terminated other than for good cause and no gross rents were increased other than permitted under Section 42; and

n. An extended low-income housing commitment as described in Section 42(h)(6) was in effect.

8. OHFA requires that the owner of a Housing Credit project annually certify the resident's income and assets using the form(s) specified by OHFA. Projects that are 100% occupied by qualified low income households may discontinue recertifications. The owner/agent should consult the OHFA Compliance Handbook for additional guidance.

9. OHFA has the right to review tenant files throughout the 15-year compliance period and the 15-year extended use period. OHFA has the right to perform on-site inspections of any low-income housing project through the end of the extended use period. Buildings receiving new allocations of credit will be inspected no later than the end of the second calendar year following the year the last building in the project is placed in service. OHFA will provide prompt written notice to the owner of a Housing Credit project if OHFA does not receive the required certification or discovers through inspection, review, or any other manner that the project is in non-compliance. The owner will have up to 60 days from the date of the notification to correct any non-compliance issues found and give a written response to OHFA of corrective actions taken. OHFA may, with good cause, extend the correction period for up to six months. During the correction period, an owner must correct any non-compliance and provide evidence to OHFA of such corrections.

10. When OHFA identifies certain instances of non-compliance, it is required to file Form 8823, "Low-Income Housing Credit Agencies Report of Non-Compliance" with the IRS no later than 45 days after the end of the correction period, and no earlier than the end of the correction period, whether or not the non-compliance is corrected. OHFA must explain on Form 8823 the nature of the non-compliance or failure to certify (reference 26 CFR Par. 2. 1.42-5 (e)(3)).

11. Compliance with the requirements of Section 42 of the IRC is the responsibility of the owner of the building(s) for which the tax credit is claimed. OHFA's obligation to monitor for compliance does not make OHFA liable for owner/agent non-compliance.

12. If OHFA is unable to serve notice on the property owner by mail and/or telephone during the compliance and extended use periods as defined by the IRS, OHFA will consider the property out of compliance and notify the IRS by filing Form 8823, or take other appropriate action such as designating the project and its owner/agent as not in good standing with the Agency. **Please note that OHFA will maintain one contact person per project. The owner/agent will agree upon the contact person and notify OHFA immediately of any change.**

13. OHFA requires Housing Credit owners to pay a one-time compliance monitoring fee. The fee amount for projects receiving a reservation in 2009 will be $900 per unit.

14. OHFA reserves the right to charge the owner and/or management company for costs incurred as the result of compliance reviews conducted outside of the normal inspection cycle.

15. It is the responsibility of the owner and its agents to ensure that the property management agent has all documents and information necessary to meet all rent, income, or other requirements attached to all sources of funding used to develop the project. Such documents may include, but are not limited to, the Housing Credit restrictive covenant(s), Housing Development Assistance Program (HDAP) restrictive covenant, and the gap financing agreement.

16. Compliance requirements are communicated to owners and managers of Housing Credit projects through the OHFA Program Compliance Handbook and other means such as the Agency newsletter. Owners and managers are expected to consult these and other resources to ensure they are up to date regarding policies and procedures established by OHFA.

17. Changes in management company that occur after the project has placed in service must be approved by OHFA Program Compliance. The owner must apprise Program Compliance of the proposed change 60 days prior to terminating the services of the current management company. OHFA may require the proposed management company to fill out a due diligence questionnaire to ensure the proposed company is sufficiently qualified to manage a Housing Credit project in Ohio.

IV. MISCELLANEOUS

Project Changes. All project changes require OHFA approval, and all changes will be reviewed by OHFA on a case-by-case basis. Any change in a project that impacts the ranking may result in a reduction or revocation of the Housing Credit reservation or allocation. A new application, fee, public notification letters and competitive review may be required if any project characteristics change. New owners without experience in the Housing Credit program must contact the Office of Program Compliance prior to consideration by OHFA.

Failure to inform OHFA of any changes in the applicant's situation or project structure at any time may cause the application to be rejected or the Housing Credit reservation to be revoked.

OHFA may allow the admission of an additional general partner after Housing Credits are awarded in order to address a related-party loan issue. A letter from the owner's legal counsel that adequately explains the need for this action must be submitted. A letter signed by both the new general partner and the current controlling general partner must also be submitted to confirm the following:

a. The new general partner will not own more than 24% of the general partner shares.
b. The new general partner must agree to not materially participate in the project.
c. The new general partner must gain little or no financial benefit from the project.
d. The new general partner may not count the project toward their experience in future funding applications to OHFA.

OHFA will review and issue a decision for each request on a case-by-case basis. Approval of OHFA Board may also be necessary for the HDLP and HDAP programs.

Document Correction Fee. OHFA will assess a correction fee of $250 if a Carryover Allocation Agreement, Restrictive Covenant, or 8609 Form must be re-issued due to an error on the part of the owner or applicant.

Agency Information Sources. The OHFA web site contains important, easily accessible information regarding the application process and program policies, such as Housing Credit percentages, frequently asked questions, important program dates, and downloadable files such as the QAP and Affordable Housing Funding Application. The web site address is www.ohiohome.org. It is the responsibility of applicants to regularly browse the web site to obtain current information on the Housing Credit and other OHFA programs.

Contacting the Applicant. OHFA will only contact the person listed in the application as the project contact. OHFA asks that other parties involved in a project communicate with the project contact prior to contacting the agency.

Requesting Information. At the end of each allocation round, OHFA will make available a listing of all applications, along with a detailed report featuring the projects awarded Housing Credits in that round. Please visit the OHFA web site or contact OHFA to obtain this information. Interested parties requesting project specific information must do so in writing according to the OHFA Freedom of Information Request procedures.

Project Events. OHFA is pleased to send representatives to project events such as groundbreakings, ribbon cuttings and grand openings at the request of the development team. Please notify us at least two weeks in advance of such events to aid with scheduling.