2010 HOUSING CREDIT GAP FINANCING GUIDELINES

Preface: Where these guidelines do not provide specific information with respect to underwriting criteria, the Ohio Housing Finance Agency (OHFA) will first seek guidance in the statutes that govern the funds being used. For HOME funds, OHFA will refer to the Code of Federal Regulations that govern the use of HOME dollars. For state Trust Funds, OHFA will refer to Ohio Revised Code §174 as well as the Code of Federal Regulations governing the use of OHTF funds used to meet the HOME "Match" requirement.

These guidelines are to be used in conjunction with the 2011 Qualified Allocation Plan.

GENERAL INFORMATION

The goal of the, Ohio Housing Finance Agency's (OHFA) Housing Development Assistance Program (HDAP) is to provide financing for eligible affordable housing projects to expand, preserve, and/or improve the supply of decent, safe, affordable housing for very low- to-moderate income persons and households in the State of Ohio.

Types of Funding Available

The HDAP will use the following resources for providing financial assistance to eligible projects. Funds may be awarded in the form of a loan or a grant:

<u>HOME Investment Partnerships Funds</u>: Federal regulations relating to environmental review, federal wage rates, federal accessibility, federal acquisition and relocation laws [URA and Section 104(d)], long-term affordability, etc. apply.

<u>Ohio Housing Trust Fund (OHTF)</u>: The Ohio Housing Trust Fund provides funding to HDAP projects predominantly serving low- to moderate-income households with incomes at or below 50% of the area's median income. The OHTF gives preference to those projects that benefit households with incomes at or below 35% of the area median income for the county in which the project is located, as established by the U.S. Department of Housing and Urban Development (HUD). Applicants receiving an award of OHTF dollars may be subject to State of Ohio Prevailing Wage Rate rules.

Applicants receiving an award of are subject to approval from the OHFA Board.

OHFA will award HOME and Trust Fund dollars based on the need to meet set-asides specific to each funding source and based on the source most appropriate for the applicant/project. Applicants that have compelling reasons to request a specific source of funding can do so in a separate letter sent to the attention of the Affordable Housing Programs Manager prior to the submission of their housing credit application. However, OHFA may or may not be able to honor the request for a specific type of funds.

Eligible Uses

HDAP resources may only be applied in the development budget toward non-related party acquisition, hard costs associated with new construction or rehabilitation, and developer fees associated with the proposed development. If market rate housing and/or commercial spaces are involved in the proposed development, costs associated with creating the market rate housing and/or commercial spaces cannot be paid using HDAP funds. Development budget line items that can be paid for using HDAP funds include:

- demolition (not applicable for Preservation projects)
- on-site improvements

- construction and/or renovation costs including construction fee items, construction contingency, and contractor overhead and profit (excluding costs associated with construction of commercial property)
- furnishings and appliances
- architectural and engineering fees
- developer fees and developer overhead
- consultant fees
- legal fees

Other development budget expenses must be covered by sources of financing other than HDAP.

Environmental Reviews and Project Eligibility

Projects are not permitted to begin construction prior to the completion of the environmental review process and the issuance of a funding agreement. Projects receiving Federal HOME dollars may not acquire the site prior to completion of the Part 58 HOME Environmental Review. Projects that do begin any construction or construction related activity prior to the issuance of a funding agreement and receipt of all appropriate clearances (i.e. environmental review clearance, if applicable), at a minimum, the project will be subject to the following penalty:

- HOME-funded projects: The funding agreement will be rescinded. OHFA cannot guarantee the availability of other funds to fill the gap.
- OHTF-funded projects: The project may request to keep the award of funds. However, the recipient must provide a letter detailing the reasons construction began prior to the completion of the ER process; the applicant must detail what measures will be taken to ensure this does not happen with future projects and request that OHFA not rescind the OHTF award.

The Multifamily Committee of the OHFA Board will review all requests either to change the source of the HDAP award, or to keep the award of OHTF dollars if construction begins prior to the completion of the environmental review process. ***If approved***, the recipient will not be able to draw HDAP funds until construction has been completed. The Multifamily Committee may choose to impose additional requirements or restrictions.

Regardless of the funding source, OHFA reserves the right to take further action if the recipient violates this restriction on future projects, or has violated this restriction on prior projects.

All projects may be subject to an environmental review conducted by the Ohio Housing Finance Agency (either a Part 58 or similar review), regardless of source of funds committed to the project. OHFA will allocate $1,000 per project funded with HOME funds for the publication of the environmental review Public Notice.

Financing Terms

Applicants that appropriately evidence status as a not-for-profit can request either a grant or loan from HDAP. However, OHFA reserves the right to award either a loan or a grant based on the financial underwrite of the project.

<u>Loans</u>:

- 2% interest rate;
- Loan will mature at the end of the affordability period. The affordability period is defined as the minimum term required in 24 CFR Part 92 plus an extended affordability period imposed by OHFA – total term will be up to 30 years unless the applicant requests and can justify the need for an extended term.
- Collateral will be a subordinate mortgage position. OHFA prefers a second or shared second position. If a lower position is necessary, the applicant should indicate so in the application along with an explanation and supporting documentation.
- The following definition of adjusted cash flow to be included in all OHFA soft loan documents: Gross Cash Receipts to the property minus:
    a. Debt service (Principal and Interest) on loans with a superior mortgage position (excluding General Partner and/or partner/partnership notes/mortgages);
    b. Replenishment of the Operating Reserve Account up to the maximum of its original established amount through year 10. Replenishment of the Operating Reserve Account is not precluded after year 10, but will be subordinate to the soft loan repayment to OHFA;
    c. Payments of any Deferred Developer fee through year 10 after any required obligations to the Operating Reserve Account are met. A payment to the Deferred Developer fee is not precluded after year 10, but will be subordinate to the soft loan repayment to OHFA;
    d. Any required payments deposited to in the established Partnership Replacement Reserve accounts;
    e. Payments / Accruals for reasonable and customary Project Operating Expenses as documented in the annual financial statements but excluding the following:
        i. Depreciation,
        ii. Amortization,
        iii. Interest on Soft Debt,
        iv. Syndicator Asset Management Fees,
        V. Incentive Fees of any kind, including Management Incentive Fees and Partnership Incentive Fees,

    A payment for the excluded expenses is not precluded after year 10, but will be subordinate to the soft loan repayment to OHFA.

    "Gross Cash Receipts" means all cash received in any fiscal year from the operations of the Partnership including all government subsidies received by the Partnership, construction contingency, but excluding Capital Contributions, loan proceeds, repayment of rent, security deposits, insurance proceeds, condemnation awards, proceeds from Net Cash from Sales and Refinancing, and any other funds not generated from current Project Operating Expenses. The Partnership definition of "Net Cash from Sales and Refinancing" (or other applicable related term or activity) must be provided to OHFA for review and approval.

Year 1 is calculated as the year in which the last building is placed into service.

- Loans will be made to the HDAP Recipient as the project's general partner, managing member or equivalent. The HDAP Recipient may loan the HDAP funds to the project. If the project has more than one general partner/managing member (or equivalent), OHFA reserves the right to determine which will be the HDAP Recipient.

If the property is sold prior to loan maturity, OHFA may require that all or a pro-rated amount of the outstanding principal and interest become due and payable.

OHFA reserves the right to allow for the forgiveness of all or a portion of the outstanding debt if, at the end of the 30-year loan period, OHFA determines that the property has been maintained as a safe, decent, and sanitary affordable housing project (as defined by the Uniform Physical Conditions Standards or current standards used in the OHFA Program Compliance Office) throughout the term.

Eligibility for Grant Funding:

To be eligible for a grant, the following criteria must be met:

- A grant has been requested by the HDAP recipient,
- The *controlling general partner, managing member or equivalent (HDAP recipient)* is a 501(c)(3) or 501(c)(4) – ***a 25% owner will not qualify for a grant***,
- At least 20% of the units in the project will be affordable to and occupied by households earning at or below 35% of the AMGI, and
- The HDAP Recipient cannot loan the HDAP funds to the project.

For housing credit projects that request a direct grant of HDAP funds, the HDAP funds may be included in eligible tax credit basis if the HDAP funds are a general partner's capital contribution ***and*** provided that the project can provide a tax-opinion certifying the funds as part of eligible basis. The project must still meet all of the above noted requirements to be eligible for a grant. However, when considering eligibility for a grant, OHFA will apply the regulations governing the funds awarded (HOME or OHTF) when considering how the HDAP-recipient passes the award onto the project.

OHFA reserves the right to award either a loan or a grant based on the financial analysis of the project.

Federal Funds

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, the Americans With Disabilities Act as well as any state and local Civil Rights legislation along with any required related codes and laws. Should OHFA not specify any requirements, such as design, it is none the less 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 tenant selection and reasonable accommodation and modification for those tenants covered under the Laws. OHFA has provided a brief guide to federal accessibility requirements.

Reporting Requirements

The recipient of the HDAP funds will be responsible for compliance with applicable implementation, reporting, and record keeping requirements associated with the federal HOME dollars, OHFA, and State requirements

Rehab Standards

Developments that involve the rehabilitation of structures must adhere to the Office of Housing and Community Partnerships (OHCP) Residential Rehab Standards (RRS). Refer to OHCP's website for the RRS Handbook.

Lead-Based Paint Strategy

All projects must adhere to the Department of Development's Lead-Based Paint Guidelines (found in the annual Consolidated Plan). All projects that involve the demolition and/or renovation of structures built prior to 1978 must submit a lead-based paint strategy that includes the following:

(1) Indicate whether or not the property(ies) has(have) been tested for lead-based paint.
(2) If the units/buildings have been tested, describe the test results. If the project has not been tested, describe how you derived an estimated cost for testing and confirm that these costs were incorporated in the project's development budget.
(3) Describe how the cost to treat lead-based paint will be covered by the project budget, and how you estimated the cost to treat lead-based paint.
(4) Describe the availability of licensed lead testers, contractors and workers in your area, and if there is a shortage of licensed personnel, how might that effect the construction of your project regarding timeline and what strategies will you use to find licensed personnel.

For the Department of Development's Lead-Based Paint Guidelines, please contact the Office of Housing and Community Partnerships at 614-466-2285.

Appraisals

All projects that include any acquisition costs in the Proforma will be required to submit an "as-is" appraisal that supports those costs. Appraisals will be requested during the project review for the HDAP funds. The appraisal(s) must be for the land (new construction if acquisition is involved) and/or as-is appraisals for existing structures. The purchase price should be less than or equal to the appraised value. If the purchase price is greater then the appraised value, the applicant must explain why. OHFA reserves the right to limit funding of acquisition costs to the appraised value of the site.

Projects that do not provide an appraisal prior to the approval of the HDAP award will be required to provide it prior to closing the HDAP.

Appraisals cannot be more than six (6) months old at the time of application. If the applicant submits the appraisal to meet a closing condition, the appraisal cannot be more than six (6) months old when received by OHFA.

Qualified Cost Estimates

Itemized cost estimates from an ***unrelated third party*** are required to substantiate the construction costs in the development budget. To be an unrelated third party, there can be no identity of interest between the organization providing the qualified cost estimates and any organization with an ownership interest, including the developer, the general contractor, any member of the development team, their subsidiaries or affiliates (the project architect may submit the estimate). The estimates must be submitted on letterhead and must be signed by the organization providing qualified cost estimate. Estimates must also indicate the status of the design process (i.e. preliminary drawings, working drawings with outline specifications, full-scale drawings and specifications, etc.).

The *unrelated third party* must indicate which standards/codes were used in developing the cost estimates (See the Project Administration section of these guidelines).

The *unrelated third party* must submit a signed statement certifying that the cost estimates for any rehabilitation work being done are sufficient to meet the Ohio Department of Development's Residential Rehab Standards (RRS). To obtain additional information about the RRS, contact the Office of Housing and Community Partnerships at 614-466-2285.

The itemized cost estimate must include a statement from the individual signing the estimate that there is no identity of interest between the signatory and any member of the development team.
If any member of the development team or ownership has an identity of interest with the entity providing the qualified cost estimate, the identity of interest relationship must be disclosed.

Utility Allowance Documentation

Each application must contain documentation indicating the current utility allowances for units comparable to the proposed project's units. The applicant can provide the published utility allowances used by the local Housing Authority for the location in which the project is located. Utility schedules for each unit size in the project must be provided. Unless required to use housing authority utility allowances by another funding source, the applicant can also provide signed cost estimates from the local utility providers indicating an estimated monthly cost for the utility at the proposed project per unit size.

Uniform Relocation Act Relocation Standards

(1) Relocation Forms:

All applicants must supply the "Real Property Acquisition and Relocation Certifications and Voluntary Acquisition Forms" for the project as follows:

- ✓ All HDAP applicants must submit a completed URA Attachment "Questionnaire on Acquisition, Relocation and Demolition."
- ✓ For all projects involving acquisition (if the project shows acquisition costs for buildings in the project budget, this must be completed), the applicant must submit a completed URA Attachment "Real Property Acquisition and Relocation Certifications."
- ✓ For all projects involving the acquisition (if the project shows acquisition costs for buildings in the project budget, this must be completed), the applicant also must complete URA Attachment L "Sample Voluntary Acquisition Form" for each seller of land and/or building acquired for use in the project and must retain these completed forms with original signatures on file, for review by OHFA staff.

Each application will be reviewed for compliance with Ohio Department of Development Relocation Policies, the Uniform Relocation and Real Property Acquisition Policies Act of 1970 and Section 104(d) of the Housing and Community Development Act. Any non-compliance issues will be brought to the attention of the applicant and must be resolved prior to execution of the HDAP funding agreement.

(2) Relocation Plan:

All projects, regardless of funding source, that involve the rehabilitation of (an) existing **occupied** unit(s) must submit a Relocation Plan. If the project receives federal funds, the plan must meet the requirements set forth in the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

The Relocation Plan submitted with the HDAP application must address the following:

a) During renovation, residents will: (1) stay in place, (2) be temporarily relocated within the project, (3) be temporarily relocated off-site, (4) Be permanently relocated. The applicant may choose a strategy that includes a combination of (1)-(4).
b) If some or all residents will stay in place, the applicant must describe the rehabilitation items to be completed and strategies to complete those items without requiring resident relocation.
c) If residents will be temporarily relocated or permanently relocated, the applicant must describe what resources are anticipated to be needed to accomplish the relocation (including the applicant's basis for estimates for the cost of relocation), the notices that will be provided to residents, how the applicant will

staff relocation activities, and source of funds to cover the cost of relocation activities.

For the additional questions on relocation, please contact the Office of Housing and Community Partnerships at 614-466-2285.

Evidence of Clearinghouse Submission

Evidence of Submission to the Local Clearinghouse: The applicant must provide a copy of the cover letter the applicant sent to the local clearinghouse accompanying one copy of their HDAP application and a post-office stamped return receipt or signed return receipt card evidencing that the application was submitted to the local clearinghouses (see Attachments and Forms Section of these Guidelines).

Tax Information Disclosure Authorization

Applicants must include a completed Attachment 3 "Tax Information Disclosure Authorization" for each entity that will have ownership of the project (whether during construction and/or after construction completion). OHFA will use this to determine if any organization with an ownership interest in the proposed project has any outstanding tax liens with the State of Ohio.

Affirmative Marketing Plan

OHFA must ensure that all funded projects are affirmatively marketed. A completed Affirmative Fair Housing Marketing Plan with required attachments must be submitted in the HDAP application.

Good Standing with the Ohio Housing Finance Agency and the Ohio Department of Development

The Ohio Housing Finance Agency ("OHFA") requires that any developer, owner, syndicator, and/or management company ("Participant") must be in good standing in order to develop, construct, manage, and/or own a project, which benefits from any program administered by OHFA. For purposes of OHFA's determination thereof, "good standing" means that a Participant demonstrates: (i) financial responsibility and accountability, (ii) character and (iii) general fitness, each in a capacity sufficient to command the confidence of both the Ohio developmental and financial community and OHFA, and each in a manner, which is transparent, honest, and efficient with respect to OHFA's programs.

In furtherance of OHFA's goal to provide safe, decent, sanitary, and affordable housing to the low and moderate-income residents of Ohio, OHFA requires that a Participant exercises each of the aforementioned three (3) core values with respect to each and every OHFA project to ensure that such Participant may maintain good standing as a Participant within the OHFA guidelines:

(1) Responsibility
Accountability:

• A Participant must demonstrate responsibility for the execution and/or administration of the assumed tasks undertaken in connection with a particular OHFA project.
Timeliness:
• Information must be submitted by Participant to OHFA and/or any ancillary agency or office affected by an OHFA project within established timeframes for each project.

(2) Willingness to Partner
Professionalism:
• Information must be submitted by Participant to OHFA in a manner that is organized, concise, complete and accurate, as certified by Participant to be knowingly true and current as of the date thereof.
Collaboration and Cooperation:
• A Participant must collaborate with OHFA in a mutually cooperative spirit to achieve the common goal of providing safe, decent, sanitary, and affordable housing in Ohio, as evidenced by each and every project of which Participant and OHFA are a part.

(3) General Fitness
Responsiveness/Communication:
• A Participant shall always provide prompt notification of issues, concerns or other matters that affect the project (as approved by OHFA), and shall immediately communicate to OHFA any modification, change or amendment which Participant reasonably believes may affect the program (as approved by OHFA).

A Participant that conducts business in a manner consistent with these aforementioned values will be considered to be in good standing with OHFA. A Participant which, through its procedures and practices, demonstrates that it is not working under the same aforementioned value system will be subject to review by OHFA. OHFA shall, in its sole and absolute discretion, determine the appropriate measures to be taken on a case-by-case basis in order to ensure that such Participants are fully aware of OHFA's unconditional commitment to these shared values and the mission of OHFA as it applies to its projects. Such measures may include (i) placing a Participant on a temporary audit position within OHFA's program until such time that OHFA determines that Participant may successfully take part in subsequent projects; or (ii) placing a Participant out of good standing for a period of time determined by OHFA, at OHFA's sole discretion.

Wage Rate Compliance

The applicant will be responsible for compliance with state and federal wage rates that may be applicable to the project. Appropriate wage rates need to be factored into the applicant's construction budget. Questions regarding the applicability of state prevailing wages should be referred to Department of Commerce (Wage & Hour Bureau) at 614-644-2239. The number of HOME-assisted units in the project will determine the applicability of federal wage rates for the project. Twelve or more HOME-assisted units trigger federal Davis-Bacon wage rates. Questions regarding the applicability of federal prevailing wage (Davis-Bacon) should be referred to the Office of Housing and Community Partnerships at 614-466-2285.

Site and Neighborhood Standards for New Construction Projects

New construction projects will need to meet the site and neighborhood standards found in 24 CFR 983.6.

Rents Requirements

HDAP Restricted Units:

Developments located in PJ areas must show:

- that at least 40% of the development's affordable units must be occupied by and affordable to families at or below 50% AMI for the entire affordability period.
- that a minimum of 10% of units will be affordable to and occupied by households at or below 35% of area median income.

Developments located in Non-PJ areas must show:

- that at least 35% of the development's affordable units must be occupied by and affordable to 50% AMI households for the entire affordability period. a minimum of 5% of units will be affordable to and occupied by households at or below 35% of the area median income

HDAP Assisted Units:

All projects will be required to maintain HDAP-Assisted Units, which are determined by the amount of HDAP provided, the 221(d)(3) limits, and the costs to develop the unit.

Affordable units are defined as units that are affordable to households at or below 60% of the AMGI

Projects with federal project-based subsidy on at least 50% of the units set rents as allowed by that project-based assistance. Existing tenants may not be displaced to achieve the minimum percentage of occupancy by very low-income households. Occupancy in up to 60% of the development by households with higher incomes is to occur over time; at turnover, units may be leased to higher income households.

Exception to Rent Restrictions (50% rents and High and Low HOME Rents): Units that have project-based rental assistance with units that are occupied by families below 50% of the AMGI and pay no more than 30% of their adjusted income toward rent are exempted from the rent restrictions associated with High and Low HOME Rents and Restricted Units at 50% AMI. Project-based rent assisted units can charge up to the contract rent prescribed by their project-based rental assistance contract. However, these projects must still comply with the occupancy requirements that accompany the restricted and assisted units in (1) and (2) above. Should the project-based assistance contract be discontinued, the project will then be required to comply with the restricted rent (50% AMI) and High and Low HOME Rent requirements.

RENTAL DEVELOPMENT

All applicants must act as a general partner or sole owner of the project during the construction phase.

Ineligible Projects

If any construction or construction related activity is initiated, prior to a commitment through HDAP and receipt of all appropriate clearances (i.e. environmental review, if applicable), the entire project may be ineligible for funds.

Projects that have previously received an award of HDAP funds through OHFA or the Office of Housing and Community Partnerships may not be eligible for additional HDAP funds.

Funding Limits

Total Housing Credit Gap Financing (HCGF) funds in the development cannot exceed 50% of the total cost of the project.

- HCGF will provide funding based on the need of a given project determined through a financial underwriting analysis.
- 10% of the HDAP funds will be held by OHFA. These funds will only be released upon receipt of the HDAP Final Performance Report.

OHFA may impose Local Government Match Requirements. OHFA will adopt a broad definition for what constitutes match funding, including but not limited to tax abatements, land donated by government, and local HOME or Trust fund dollars. The match required will depend upon the amount of federal funds received by the Participating Jurisdiction as well as the nature of the proposed development.

15-Year Lease-Purchase Projects

Restrictive Covenants must be filed with the County in which the property is located.

Units may be leased for 15 years prior to being sold to a qualified, eligible homebuyer.
During the 15-year lease period, the HDAP funds awarded to the project will be considered as a 2% loan as defined in these guidelines.

If the property is sold prior to the end of the 15-year compliance period, the entire HDAP award including principal and accrued interest will be due and payable to OHFA. OHFA reserves the right to forgive a pro-rated portion of the outstanding debt provided the project has been maintained as safe, decent, and sanitary affordable housing up to the point of sale. In addition, (1) OHFA must approve the new ownership structure and (2) the new owner must agree to continue to maintain the project according to the terms and conditions of the Funding Agreement.

HDAP term cannot exceed 30 years at application. Projects that receive a grant of the HDAP funds must agree to maintain a minimum affordability of 20 years for new construction. If the home is sold to a qualified homebuyer following the 15-year lease period, the HDAP Recipient must agree to place a deed restriction on the property for the remainder of the 20-year affordability period.

At or after year 15:

OHFA reserves the right to forgive any unpaid accrued interest and ½ of the outstanding principal balance of the HDAP award made to a non-profit recipient, provided the homes have been maintained as safe, decent and sanitary housing (as defined by the Uniform Physical Conditions Standards or current standards used in the OHFA Management Compliance department).

The HDAP-Recipient must select from among the following options:

Option One: 30-year affordability period

- At year 15 of the housing credit compliance period, the outstanding HDAP award will be allocated among all affordable units in the project.
- For those units sold to qualified homebuyers, the HDAP Recipient may request that OHFA permit them to pass on ~~a~~ the proportionate amount of the outstanding HDAP principal to the income-eligible homebuyer as affordability subsidy. OHFA will provide a 15-year, non-interest-bearing loan, subject to recapture. Income-eligible homebuyers will be determined as follows:

  - The HDAP-Recipient will be required to income-qualify homebuyers at the time of purchase of their home, regardless of when they took occupancy or signed a purchase agreement. Any portion of the HDAP award not used must be returned to OHFA.
  - The loan amount per home would be forgivable over a 15-year period as follows:
    - ✓ 100% of the loan amount per home will be forgiven prorata during a 15-year period for households that, at the time of purchase, have incomes at or below 65% AMI
    - ✓ 50% of the loan amount per home will be forgiven prorata during a 15-year period for households that, at the time of purchase, have incomes greater than 65% AMI but less than or equal to 80% AMI
  - HDAP affordability subsidy will be used only for the difference between the maximum eligible mortgage amount and the sales price of the home (sales price may not be greater than the fair market value evidenced by an appraisal no more than six months old).

- A second mortgage must be filed with the County Recorder's Office.

The portion of the OHFA loan not forgiven must be returned to OHFA only upon sale of the property. If the property is sold for less than the total principal balance (primary loan + OHFA loan), based on an appraisal, OHFA will waive repayment of any shortfall owed to OHFA.

Option Two: 20-year affordability period

- At Year 15 of the housing credit lease-purchase compliance period, the HDAP award will be allocated among the units in the project.
- For units that are sold to qualified homebuyers who do not need or want affordability subsidy, OHFA reserves the right to forgive 50% of the principal amount of the HDAP award and interest accrued, on a unit-by-unit basis, if the project has been maintained as safe, decent, and sanitary affordable housing for the 15-year lease-purchase compliance period.
- The HDAP Recipient will take a second mortgage on each home equal to the remaining amount of the HDAP award allocated to the home. This mortgage will replace the HDAP Restrictive Covenant placed on the home during the 15-year housing credit compliance period. The mortgage will be assigned to OHFA.
- If the homebuyer maintains the home as his/her primary residence for the remainder of the 20-year affordability period (from the housing credit placed-in-service date), the entire amount of the second mortgage will be forgiven.
- If the homebuyer ceases to be the primary resident of the home at any time during the remainder of the 20-year affordability period (from the housing credit placed-in-service date), the entire amount of the second mortgage will come due and payable.
- There will be no pro-rata forgiveness of the amount of the second mortgage for this option.
- Units that remain rental for 20 years or more after the housing credit placed-in-service date are not subject to additional affordability requirements. Any outstanding HDAP award may be forgiven if the unit has been maintained as safe, decent, and sanitary affordable housing.

Option Three: Available for rehabbed units only

- At Year 15 of the housing credit lease-purchase compliance period, the HDAP award will be allocated among the units in the project.
- For units that are sold to qualified homebuyers, OHFA reserves the right to forgive 50% of the principal amount of the HDAP award and interest accrued, on a unit-by-unit basis, if the project has been maintained as safe, decent, and sanitary affordable housing for the 15-year lease-purchase compliance period.
- OHFA will require repayment of the remainder of the HDAP award, on a unit-by-unit basis, on any home sold to a qualified homebuyer who does not need or want any additional affordability subsidy. No additional affordability restrictions will be placed on these units.

- If the homebuyer demonstrates the need for the additional subsidy, Option 1 or Option 2 must be used.

All Options:

- Units that are not sold must remain affordable for the full 30-year rental affordability period. There is no partial forgiveness at Year 15. OHFA reserves the right to forgive the outstanding principal and accrued interest only at the end of the affordable period, and only if the units have been maintained as safe, decent, and sanitary affordable housing throughout the entire affordability period.
- Units that were new construction multi-unit homes at application must continue as rental units for a 30-year affordability period.
  - If a multi-unit home is sold, the HDAP award allocated to the unit will be immediately due and payable to OHFA.

NOTE: Units that were new construction at application must select either Option 1 or Option 2. Homes must be sold to qualified homebuyers.

Units that involved rehabilitation at application may select any of the three options.

OHFA reserves the right *not* to forgive 50% of the HDAP award and accrued interest on a unit-by-unit basis if any home is sold to a homebuyer who is over-income.

If the homebuyer wishes to sell the home during the affordability period to a qualified homebuyer, the non-profit may formally request that OHFA allow the subsidy to stay with the home, and the new homebuyer be allowed to assume that obligation for the remainder of the affordability period.

In the event of foreclosure, repayment of the HDAP funds will be based on shared net proceeds, as defined in 24 CFR Part 92, which may allow the homebuyer to recover some or all of any down payment and/or capital improvement investments.

MULTIFAMILY TAX-EXEMPT BOND PROJECTS

Except as noted below, these HDAP guidelines will apply to the Multifamily Tax-Exempt Bond Projects.

Eligible applicants:

Private housing developers and public housing authorities that receive an award of volume cap after July 1, 2010 for the acquisition and rehabilitation or substantial rehabilitation of an existing HUD Section 8 or USDA Rural Development (RD) project. Developments must have also received an allocation of housing credits. Applicants must be a sole general partner, controlling/managing general partner, or a general partner/managing member with a material interest of at least 25% in the ownership structure.

The development cannot have closed on the bonds prior to application. Closing "in Escrow" will be considered by OHFA to be closed.

Eligible Projects

Projects involving multifamily tax-exempt bond financing (private purpose volume cap) for the preservation of affordable housing will be eligible for HDAP. Projects must apply for and have received a letter of eligibility for non-competitive housing credits. Eligible applicants are private housing developers and public housing authorities that receive an award of volume cap after July 1, 2004 for the acquisition and rehabilitation or rehabilitation only of an existing Section 8 or USDA Rural Development (RD) project and have received an allocation of non-competitive housing credits. Applicants must be a general partner/managing member with a material interest of at least 25% in the ownership structure. Preservation projects will be defined as:

1. Projects with a project-based rental subsidy contract that will expire (Section 8) or be depleted (RD) within 24 months of the date of application.
2. RD projects which are subject to prepayment within 24 months of the date of application.
3. Troubled projects that have received assistance through the USDA Rural Development office and are in need of substantial rehabilitation in order to be considered safe, decent, and sanitary.

Funding Limits and Accessing Funds

Total Housing Credit Gap Financing (HCGF) funds in the development cannot exceed 50% of the total cost of the project.

- HCGF will provide funding based on the need of a given project determined through a financial underwriting analysis.
- 10% of the HDAP funds will be held by OHFA. These funds will only be released upon receipt of the HDAP Final Performance Report.

REQUESTING A LOAN CLOSING

Once the appropriate authority has approved the request for an award through HDAP, the HDAP-Recipient ***may not be changed during the entire construction period.*** OHFA will enter into a Funding Agreement with the HDAP-Recipient and Limited Partnership, if applicable. Once the Funding Agreement has been signed by all appropriate parties, the HDAP-Recipient may formally request a closing of the HDAP.

Closing procedures will be sent to each applicant along with the applicant's copy of the Funding Agreement. These procedures are also available on the OHFA website at:

http://www.ohiohome.org/hdap/default.aspx

SUBSEQUENT CHANGES

The HDAP-Recipient is required to notify OHFA immediately and request approval of any changes that occur in the project at ***any time after project approval through the affordability period***. Such changes include, but are not limited to, changes in the development team (developer, general contractor, sales agent/management entity, etc.); changes in the number of units or unit mix; changes to the target population; etc.

The request should be sent to:

Ohio Housing Finance Agency
Legal Department: Loan Closing
57 East Main St.
Columbus, OH 43215

OHFA reserves the right to assess fees for the following:

Amendments to a funding agreement:	$ 500 per request
Extensions of a funding agreement:	$ 500 per extension
Reinstatement of an expired funding agreement:	$1,000

PROJECT ADMINISTRATION

A Project Administration Manual has been created to assist applicants as they work with OHFA staff during the construction phase. This document may be found on the Project Administration page of the OHFA website.

http://www.ohiohome.org/hdap/projectadmin.aspx

LONG-TERM COMPLIANCE REQUIREMENTS

Prior to the issuance of the 8609s for the allocation the housing credits, projects are required to meet with representatives of the Program Compliance Office at OHFA. At that time, OHFA will discuss the long-term compliance and reporting requirements for the project. Questions prior to that point should be directed to: