
Memorandum



From: Sean Thomas

Date: August 29, 2008

Re: New Housing Tax Credits Policy - DRAFT

The Housing and Economic Recovery Act (HERA) of 2008 provided states with a temporary increase of housing tax credits. This increase, available only in 2008 and 2009, is equal to \$.20 multiplied by the state's population. For 2008, this amount is \$2,293,383. A similar amount will be available in 2009. In addition to the increase in credits, HERA requires states to use a higher credit rate to calculate the amount of credits. This change gives OHFA the ability to increase the amount of credits for previously awarded projects.

In developing an implementation policy for these changes, OHFA considered the current state of the housing credit market. Applications submitted in May contained conditional commitments for equity financing that averaged approximately 85 cents per dollar of credits awarded. Recent conversations with several housing credit syndication firms indicate typical current pricing as low as 77 cents per dollar.

While investor bids for housing credit investment will not be firm until next year, pricing increases are unlikely over the next 3 to 6 months due to declining demand in the investor community. Major investors Fannie Mae and Freddie Mac have encountered serious financial difficulties and are unlikely to re-enter the housing credit market. Financial service companies that have traditionally invested in tax credits are facing declining profits and have less need to offset taxable income. New investors typically need months or years to examine the complexities of the program and decide whether to enter the market.

The result of rapid pricing declines during the past few months is the potential for large gaps in the permanent financing structure for most, if not all, of the proposals that received an award this year. An estimated pricing decline from the mid-80s to the mid- to high-70s would result in a shortfall of anywhere from \$200,000 to \$800,000 per project, depending on the size of each deal. An additional award of credits is the only readily available source to fill this gap and ensure that the best affordable housing proposals remain financially viable.

However, the credits are a very scarce resource and owners and syndicators must also share the burden to make the 2008 project financially viable. Credit amounts should not be automatically raised based on a higher credit rate and project costs should be re-evaluated to find savings.

Another factor OHFA considered in developing a policy, is the intent of HERA. The foreclosure crisis is a major reason for the passage of this legislation in 2008. The new legislation is designed to address this issue and provide a stimulus to the housing market and the economy. Awarding all new credits to previously funded projects may not fully align with Congressional intent.

Therefore, OHFA has developed an implementation policy, described on the following page, that balances these considerations. Upon Board approval, this policy will be effective on September 17, 2008 unless a formal amendment to the 2008 QAP is necessary. Staff are evaluating if this step is required.

Please contact me at 614-466-0400 or stthomas@ohiohome.org if you have any questions.

HERA Credits Policy

1. The new 2008 credits will be distributed to projects that received a reservation of credits in July 2008 and to the two remaining vacant properties redevelopment projects that did not receive an initial reservation.
2. Credits will be distributed to the July 2008 projects as follows:
 - a. No later than October 3, 2008, staff will re-underwrite all 38 projects that received a reservation of credits.
 - b. Staff will assume a credit price of \$.78 and calculate the projected financing gap.
 - c. OHFA will then award additional credits necessary to fill 75% of the projected financing gap. Owners will need to rely on other funding sources not provided by OHFA or cost savings to cover the remaining 25% gap.
 - d. New conditional financing commitments will be required at the earlier of the Carryover deadline or HDAP/HDL review.
 - e. OHFA reserves the right to reduce the amount of credits and/or other OHFA subsidy if the final equity price is higher or if fees and/or soft costs increase.
 - f. OHFA will waive the million dollar per project cap, individual organization credit caps, and the requirement that a reservation of credits may not increase after initial award.
 - g. Owners will have two weeks to accept the changes. This will also be the deadline for those owners who have not yet indicated whether they wish to request an additional housing development loan (HDL) funds as offered earlier this year. The offer of additional HDL funds will not be available after this date.
 - h. The estimated amount of credits needed to accommodate all 2008 projects is **\$1,527,471** (see attached schedule).
3. The following vacant redevelopment projects submitted in 2008 will be awarded credits as follows (estimates):
 - a. 08-0037 East End Twin Towers Crossing: \$265,912 in new 2008 credits
\$619,088 in new 2009 credits
\$885,000 Total
 - b. 08-0021 Cleveland Green Homes: **\$500,000** in new 2008 credits (Total)
(Note: staff requested that project downsize from \$1 million and 52 units targeting three neighborhoods to \$500,000 and 24 units primarily targeting one neighborhood, Slavic Village.)
4. The remaining new 2009 credits, approximately **\$1.7 million**, will be set-aside and not reserved until after the funding round. OHFA will have the flexibility to award these credits to 2008 or 2007 projects based on further reductions in the credit market or award the credits to new proposals in the Maximizing Outcomes Pool. This process will be described in the 2009 QAP, and OHFA will provide further guidance in May 2009.

Tracking#	Project Name	Syndicator	Equity Estimate	Equity Price - May	Housing Credits			Potential Credits with 9% Rate	Projected Gap w/ .78 Equity Price	75% of ".78 Gap"	Credits Needed		25% of ".78 Gap"	Extra HDL Available
					Reserved - July	HDAP Request	HDL Request				for 75% of ".78 Gap"			
08-0029	Alliance Elderly	Column	\$ 8,179,558	0.87	\$934,807	\$ 474,000		\$ 143,816	\$ 888,063	\$ 666,047	\$ 85,391	\$ 222,016		
08-0057	Barnett Plaza	OCCH	\$ 3,173,858	0.85	\$373,338	\$ 300,000	\$ 1,500,000	\$ 45,656	\$ 261,821	\$ 196,366	\$ 25,175	\$ 65,455		
08-0108	Blanchester Senior Apartments	OCCH	\$ 3,134,539	0.85	\$369,138	\$ 550,000	\$ 1,000,000	\$ 56,791	\$ 255,263	\$ 191,447	\$ 24,544	\$ 63,816	\$ 500,000	
08-0103	Burnet Place	OCCH	\$ 8,122,285	0.81	\$1,000,000	\$ 510,000		\$ 158,631	\$ 322,285	\$ 241,714	\$ 30,989	\$ 80,571		
08-0097	Cedar Woods Apartments	OCCH	\$ 3,761,981	0.82	\$456,434	\$ 600,000	\$ 1,500,000	\$ 57,701	\$ 201,796	\$ 151,347	\$ 19,403	\$ 50,449		
08-0071	Chestnut Hill	NAHT	\$ 3,950,850	0.82	\$482,729	\$ 1,000,000	\$ 1,000,000	\$ 74,266	\$ 185,564	\$ 139,173	\$ 17,843	\$ 46,391	\$ 500,000	
08-0022	Cleveland Green Homes East	KEY	\$ 8,300,000	0.83	\$1,000,000	\$ 508,000		\$ 156,123	\$ 500,000	\$ 375,000	\$ 48,077	\$ 125,000		
08-0076	Commons at Buckingham	NAHT	\$ 8,256,541	0.83	\$1,000,000	\$ 1,000,000		\$ 162,143	\$ 456,541	\$ 342,406	\$ 43,898	\$ 114,135		
08-0115	Cross Creek Meadows	OCCH	\$ 5,071,904	0.85	\$597,292	\$ 550,000	\$ 1,000,000	\$ 91,891	\$ 413,026	\$ 309,770	\$ 39,714	\$ 103,257	\$ 500,000	
08-0048	Denison Elderly	OCCH	\$ 8,204,717	0.85	\$965,261	\$ 494,000		\$ 148,501	\$ 675,681	\$ 506,761	\$ 64,969	\$ 168,920		
08-0062	Dogwood Glen	OCCH	\$ 4,221,635	0.81	\$519,166	\$ 300,000	\$ 1,000,000	\$ 79,872	\$ 172,140	\$ 129,105	\$ 16,552	\$ 43,035	\$ 500,000	
08-0072	Dublin House	NAHT	\$ 3,261,561	0.89	\$365,405	\$ 300,000	\$ 1,000,000	\$ 50,529	\$ 411,402	\$ 308,552	\$ 39,558	\$ 102,851	\$ 500,000	
08-0078	Eaton Senior Village	OCCH	\$ 4,268,769	0.87	\$491,719	\$ 600,000	\$ 1,500,000	\$ 75,650	\$ 433,360	\$ 325,020	\$ 41,669	\$ 108,340		
08-0055	Edgewood Village 4	OCCH	\$ 7,267,516	0.82	\$888,544	\$ 492,000		\$ 136,699	\$ 336,873	\$ 252,655	\$ 32,392	\$ 84,218		
08-0105	Edison Place	OCCH	\$ 5,498,088	0.86	\$642,654	\$ 750,000	\$ 1,500,000	\$ 98,870	\$ 485,387	\$ 364,040	\$ 46,672	\$ 121,347		
08-0053	Elim Estates	OCCH	\$ 6,481,695	0.86	\$749,981	\$ 442,000	\$ 1,000,000	\$ 115,382	\$ 631,843	\$ 473,882	\$ 60,754	\$ 157,961	\$ 500,000	
08-0039	Englewood Senior Housing	OCCH	\$ 5,299,585	0.85	\$623,481	\$ 402,000	\$ 1,000,000	\$ 95,920	\$ 436,433	\$ 327,325	\$ 41,965	\$ 109,108	\$ 500,000	
08-0131	Fairway Crossing	OCCH	\$ 5,095,848	0.86	\$592,600	\$ 550,000	\$ 1,000,000	\$ 91,169	\$ 473,568	\$ 355,176	\$ 45,535	\$ 118,392	\$ 500,000	
08-0063	Forest Square Senior Apartments	OCCH	\$ 2,697,361	0.84	\$321,198	\$ 250,000	\$ 1,000,000	\$ 49,415	\$ 192,017	\$ 144,012	\$ 18,463	\$ 48,004	\$ 500,000	
08-0016	Gates Green Village Apartments	OCCH	\$ 1,370,548	0.85	\$161,408	\$ 600,000	\$ 1,500,000	\$ 21,929	\$ 111,566	\$ 83,674	\$ 10,727	\$ 27,891		
08-0163	Gateway House II	OCCH	\$ 4,123,288	0.82	\$500,632	\$ 1,000,000	\$ 1,000,000	\$ 77,020	\$ 218,358	\$ 163,769	\$ 20,996	\$ 54,590	\$ 500,000	
08-0132	Honeybrook Greene	OCCH	\$ 5,107,128	0.86	\$593,912	\$ 550,000	\$ 1,000,000	\$ 91,371	\$ 474,614	\$ 355,961	\$ 45,636	\$ 118,654	\$ 500,000	
08-0164	Hunterwood Park	OCCH	\$ 4,670,668	0.85	\$548,245	\$ 600,000	\$ 1,500,000	\$ 78,185	\$ 394,357	\$ 295,768	\$ 37,919	\$ 98,589		
08-0059	Lake Avenue Retirement Village	OCCH	\$ 2,606,377	0.87	\$300,994	\$ 600,000	\$ 1,500,000	\$ 46,307	\$ 258,624	\$ 193,968	\$ 24,868	\$ 64,656		
08-0015	Lakeshore Village	Alliant	\$ 8,500,000	0.85	\$1,000,000	\$ 300,000		\$ 134,320	\$ 700,000	\$ 525,000	\$ 67,308	\$ 175,000		
08-0116	Logan Senior Apartments	OCCH	\$ 3,265,926	0.85	\$384,611	\$ 550,000	\$ 1,000,000	\$ 59,171	\$ 265,960	\$ 199,470	\$ 25,573	\$ 66,490	\$ 500,000	
08-0054	Mackinaw Retirement Village	OCCH	\$ 2,497,540	0.87	\$288,040	\$ 728,000	\$ 1,500,000	\$ 44,314	\$ 250,828	\$ 188,121	\$ 24,118	\$ 62,707		
08-0155	New Destiny Center	OCCH	\$ 4,113,413	0.84	\$486,910	\$ 1,000,000	\$ 1,000,000	\$ 74,909	\$ 315,515	\$ 236,636	\$ 30,338	\$ 78,879	\$ 500,000	
08-0050	North Central Village	OCCH	\$ 8,500,000	0.85	\$1,000,000	\$ 546,000		\$ 154,624	\$ 700,000	\$ 525,000	\$ 67,308	\$ 175,000		
08-0137	Olde Hickory	OCCH	\$ 4,599,291	0.86	\$534,855	\$ 550,000	\$ 1,100,000	\$ 82,285	\$ 427,422	\$ 320,567	\$ 41,098	\$ 106,856	\$ 400,000	
08-0060	Plains Plaza	OCCH	\$ 5,230,707	0.83	\$628,714	\$ 600,000	\$ 1,000,000	\$ 89,366	\$ 326,737	\$ 245,053	\$ 31,417	\$ 81,684	\$ 500,000	
08-0025	Rainbow Place Apartments	KEY	\$ 7,767,645	0.86	\$900,515	\$ 750,000	\$ 1,000,000	\$ 138,540	\$ 743,628	\$ 557,721	\$ 71,503	\$ 185,907	\$ 500,000	
08-0091	The Rising at Phoenix	OCCH	\$ 4,572,743	0.87	\$526,129	\$ 300,000	\$ 1,500,000	\$ 80,943	\$ 468,937	\$ 351,703	\$ 45,090	\$ 117,234		
08-0165	The Village at New Seasons	OCCH	\$ 4,637,060	0.86	\$540,681	\$ 500,000	\$ 1,500,000	\$ 83,181	\$ 419,748	\$ 314,811	\$ 40,360	\$ 104,937		
08-0012	United North School Homes II	NEF	\$ 4,418,300	0.85	\$520,869	\$ 300,000	\$ 1,000,000	\$ 80,134	\$ 355,521	\$ 266,641	\$ 34,185	\$ 88,880	\$ 500,000	
08-0156	Village at Anna Dean	OCCH	\$ 6,220,130	0.85	\$732,104	\$ 750,000	\$ 1,000,000	\$ 112,632	\$ 509,719	\$ 382,289	\$ 49,011	\$ 127,430	\$ 500,000	
08-0068	Villas of the Valley	OCCH	\$ 8,430,579	0.84	\$1,000,000	\$ 526,000		\$ 154,572	\$ 630,579	\$ 472,934	\$ 60,633	\$ 157,645		
08-0081	Wauseon Senior Village	OCCH	\$ 5,148,761	0.88	\$585,672	\$ 600,000	\$ 1,500,000	\$ 90,104	\$ 580,519	\$ 435,389	\$ 55,819	\$ 145,130		
					\$23,608,038	\$ 21,422,000	\$ 34,600,000	\$ 3,582,931			\$ 1,527,471			\$ 8,900,000