

## Cover Memo

### 2013 Bond Gap Financing Guidelines

Final Guidelines

#### **Purpose**

The Ohio Housing Finance Agency (OHFA) is seeking public comment in regard to the 2013 Bond Gap Financing Guidelines.

#### **Notes of Importance**

- In 2012 the Bond Gap Financing program was released as a request for proposals. This is a more formalized guideline as OHFA expects to continue the program.
- Due to the nature of 4% housing credits, the program requires that applicants follow and meet the requirements in the most current Qualified Allocation Plan should they be funded.
- The selection criteria have been simplified from the previous year.
- Comments were accepted from May 8<sup>th</sup> until June 7<sup>th</sup>.
- Several comments were received. Most of these comments were asking for clarification or for specific scoring criteria to be added to the selection criteria. Staff considered all comments and made adjustments for clarity and selection criteria where necessary to meet OHFA's policy goals.
- One additional significant change is an increase from 5% developer fee for acquisition costs to a 15% developer fee for acquisition costs.

#### **Submission of Comments**

Comments may be submitted to Andrew Bailey, Program and Policy Manager, at [abailey@ohiohome.org](mailto:abailey@ohiohome.org) or (614) 644-5650.

## **Section 1: Program Information**

### **Purpose**

The goal of the Ohio Housing Finance Agency's (OHFA) Bond Gap Financing (BGF) Program is to provide financing to eligible affordable housing projects to increase, preserve, and/or improve the supply of decent, safe, affordable housing for low- and moderate-income persons and households in the State of Ohio. OHFA expects to fund approximately 300 units through the 2013 BGF program.

Questions concerning the BGF Program should be directed to staff via e-mail:

Karen M. Banyai	kbanyai@ohiohome.org
Virgie Vaido	vvaido@ohiohome.org
Sylvia Ray	seray@ohiohome.org

### **Funding Availability**

Approximately \$6 million in Ohio Housing Trust Fund (OHTF) will be available for the financing of new construction or the rehabilitation of rental units. Additional funding may also be available. The Ohio Housing Trust Fund provides funding to projects predominantly serving low- to moderate-income households with incomes at or below 50% of the area median gross income (AMGI). The OHTF gives preference to those projects that benefit households with incomes at or below 35% of the AMGI 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.

Final BGF funding levels are subject to:

- Appropriation of funds to OHTF by the State Legislature;
- Allocation by the OHTF Advisory Committee; and
- Finalization and HUD approval of the State Consolidated Plan.

Funds may be awarded in the form of a loan or a grant. OHFA will refer to Ohio Revised Code Chapter 174, as well as the Code of Federal Regulations governing the use of OHTF funds used to meet HOME "match" requirements.

Funding requests are subject to approval from the OHFA Board.

OHFA will award OHTF dollars based on the need to meet set-aside requirements.

The 2013 BGF guidelines may be subject to change, pending developments in federal and state legislative requirements and/or OHFA policy.

### **Funding Limits**

Projects may request up to a maximum of \$1 million in gap financing.

Awards will be limited to one per developer.

### **Project Eligibility**

4% Low-Income Housing Tax Credit (LIHTC) projects that meet the requirements of the 2013 Qualified Allocation Plan (QAP) will be eligible to apply.

All projects that receive funding will be required to follow and meet the 2014 QAP and Housing Credit Gap Financing Guidelines, where applicable or not outlined in these guidelines.

The following exceptions will apply:

1. Funds will only be available to projects that have not yet received or applied for an allocation of Housing Tax Credits or HDAP.
2. OHFA reserves the right to reject any application it determines to be significantly incomplete.
3. OHFA reserves the right to not allocate the entire amount of funds available or requested.
4. Projects must be completed and placed in service no later than four years after the date the OHFA Board approves the award of HDAP funds.

## Section 2: Process and Project Selection

### BGF Program Calendar

August 15, 2013	Deadline to submit requests for exceptions to program requirements
September 19, 2013	BGF proposals due Proposal meetings may be required on a case by case basis
September 23, 2013	Site visits begin
October 23, 2013	Announcement of BGF awards
October 30, 2013	Next steps meeting
February 6, 2014	Final application deadline

### Exceptions to Program Requirements

Any request for an exception to specific program requirements must be submitted by the date indicated in the Program Calendar. OHFA will consider such requests and issue decisions within one week of the proposal deadline.

### Application Submissions

All application materials for the 2013 BGF funding year 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 4:00 p.m. on the dates listed in the program calendar. Applicants must use the most current application available on the OHFA web site. All applications and supporting documentation must be submitted in digital format according to the Document Submission Procedure posted at <http://www.ohiohome.org/lihtc/application.aspx>.

### Site Visits

OHFA will conduct a site visit to gather information that will be used to help evaluate applications. The applicant must clearly mark the physical location of the site and provide a detailed map that depicts the roads leading to the site. Up to two representatives of the applicant who are familiar with the housing proposal are encouraged to accompany OHFA staff to answer any questions. 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.

## Proposal Applications

Proposal applications should include the following threshold criteria as defined in the 2013 QAP:

1. Complete Affordable Housing Funding Application
2. Project History Narrative (existing rental units only)
3. Narrative and supporting documentation explaining the competitive points being claimed by the applicant.
4. Evidence of Public Notification
5. Evidence of Site Control
6. Evidence of Zoning
7. Preliminary Architectural Plans & Specifications
8. Scope of Work (existing rental units only)
9. Capital Needs Assessment (existing rental units only)
10. A letter from the project's Bond Underwriter that outlines the proposed bond structure and all steps required, including a timeline, for closing the financing for the project
11. Identity of Interest Form
12. Market Study – (new rental units only)
13. Audited financials or rent rolls for the past 5 years evidencing 93% occupancy or higher; or, a full market study (existing rental units only)

Proposals must meet the underwriting and programmatic requirements outlined in the 2013 QAP.

The only exception to the underwriting requirements in the 2013 QAP is that OHFA plans to allow a 15% developer fee on acquisition costs in the 2014 QAP and proposals may underwrite to that.

OHFA will consider the development team's ability to proceed quickly and close all financing in 2014 based on previous experience. OHFA will also consider total project costs and investment of its resources that are reasonable in an effort to produce units.

## Competitive Selection Process

Projects will be selected based on the strategic criteria outlined in this section. Points for each criterion will be awarded at the sole discretion of OHFA, based on how proposed applications meet the intent of the criteria and based on other applications submitted. OHFA may request further supporting documentation for any of the criteria in this section.

### *Project Characteristics*                      *40 Points*

Applications may receive a score of up to 40 points based on project characteristics. This score will be determined by the following criteria:

10 points will be awarded to projects that meet one of the following:

- The project is part of a comprehensive neighborhood revitalization effort that can be documented and certified by the local government as being part of their revitalization efforts.
- The project includes the preservation of three or more post year 15 LIHTC properties.
- The project includes HUD RAD or Choice Neighborhoods funding. Funds must account for at least 10% of the total development cost.
- The project includes the redevelopment of a vacant or foreclosed multifamily building.
- The project consists of the adaptive reuse of a building.

10 points will be awarded to projects that meet one of the following:

- The project contains project based section 8 rental subsidy, or other subsidy, for at least 20% of the units.
- The project utilizes USDA 515 financing.
- The project sets aside 5% of the project's units to be occupied by 18% AMGI residents.
- The project is being developed by a state certified CHDO working in their service area. The CHDO must have a 51% general partnership interest.
- The project has an innovative feature that benefits the development, the residents, or results in cost savings. A narrative explaining the innovation must be submitted.

10 points will be awarded to projects that meet one of the following:

- The project is being developed in a non-QCT or high income census tract. A list of high income census tracts is available on OHFA's website.
- The project is being developed in a QCT that also received 10 points for being part of a comprehensive neighborhood revitalization effort.
- The project is being developed in an area where no previous development has taken place within a 2 mile radius using OHFA multifamily program funds for the population to be served.

10 points will be awarded to projects that will commit to successfully obtaining Enterprise Green Communities certification. Applicants do not need to apply to Enterprise Green Communities before being awarded funding.

OHFA reserves the right to offer waivers or alternatives to some Enterprise Green Communities criteria for projects that consist of moderate rehabilitation.

OHFA reserves the right to allow projects to substitute Enterprise Green Communities for LEED if the applicant is awarded or applying for Federal Home Loan Bank AHP funds, or if they will receive tax abatement if they obtain LEED certification.

*Financial Characteristics*                      *30 Points*

Applications may receive a score of up to 30 points based on financial characteristics. This score will be determined by the following criteria:

- Up to 15 points will be awarded based on the applicant's ability to leverage non-OHFA resources in the development budget. Existing debt, LIHTC equity, and HDAP will not be counted as leverage in this category. Projects will be compared to other projects submitted, with preference for points being given to those with the most leverage.
- Up to 15 points will be awarded based on the applicant's ability to demonstrate that the project meets OHFA underwriting requirements. Projects will be compared to other projects ability to meet OHFA underwriting requirements, with preference being given to those projects that meet all OHFA underwriting requirements.

*Market Quality*                                      *20 Points*

Applications may receive a score of up to 20 points based on market quality characteristics. This score will be determined by the following criteria:

- Up to 20 points will be awarded for site characteristics. OHFA will consider both positive and negative site attributes as well as adjoining land uses.

OHFA will award points based on a community outreach plan. The community outreach does not have to occur until after an award of HDAP has been committed to the project.

Community outreach is the applicant's method of notifying the community of an upcoming LIHTC development. It must address the nature of the development, its location, its design and how the residents and businesses in the area will be notified. It could include involving local elected officials, Community Development Corporations, CHDOs and community groups, or posting notices in libraries or other public places where residents may congregate. Social media, design charrettes, or traditional notices in local papers are examples of methods to target your message. The plan will be evaluated on the comprehensiveness of the applicant's approach and whether it is appropriate considering the type of housing and location of your proposal.

Applicants should submit the community outreach plan at proposal. At final application, applicants will need to submit documentation confirming that the outreach has occurred.

OHFA reserves the right to make final funding decisions based on the following strategic priorities:

- OHFA will consider the geographic distribution of resources.
- 50% of OHTF funding must be allocated to Non-PJ areas.
- OHFA will fund, at a minimum, one project that is part of HUD's Rental Assistance Demonstration (RAD) or Choice Neighborhoods Programs. Projects falling under this criterion must score a minimum of 70 points.
- OHFA will fund, at a minimum, one project that preserves an existing LIHTC portfolio. This is defined as any project that will preserve at a minimum three existing LIHTC projects that are past their 15 year compliance period, and that consist of a minimum of 120 units. Projects falling under this criterion must score a minimum of 70 points.
- The efficient use of resources to reach the program's goal of funding 150 units.

After processing the strategic criteria above, if there are any projects with a tied score, OHFA will award funding to the project that has the smallest amount of HDAP per unit.

## **Final Applications**

Projects that receive an award of HDAP must submit a full 4% application as detailed in the 2014 QAP by the deadline outlined in the BGF program calendar.

Successful applicants will be required to attend a next steps meeting.

In addition to the threshold requirements listed in the 2014 QAP, for non-OHFA issued bonds, the inducement resolution or final approval resolution from the issuer of the bond must be submitted with the full application.

OHFA will consider exceptions to the requirement of submitting 80% plans and specs on a case-by-case basis. OHFA's decision will be based on the scope of work and the applicant's ability to gain access to existing plans and specs. If OHFA allows an exception, the applicant must be able to explain how they arrived at the development budget without having the 80% plans and specs. In addition, OHFA will not begin underwriting until those have been received and reviewed. If approved, OHFA will allow an additional 30 days to submit the documents.

For OHFA-issued bonds, a Letter of Eligibility for Housing Tax Credits will be issued only after the project has received final approval of the Bond issuance by the OHFA Board.