Ohio Housing Finance Agency

# 2013 HDGF GUIDELINES


OHIO HOUSING FINANCE AGENCY

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# Section 1: Program Information

**Purpose**

The goal of the Ohio Housing Finance Agency's (OHFA) Housing Development Gap Financing (HDGF) 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 80 units through the 2013 HDGF program.

Questions concerning the HDGF program should be directed to staff via e-mail:

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**Funding Availability**

Approximately $4 million through the Ohio Housing Trust Fund (OHTF) will be available for the financing of new construction or the rehabilitation of rental units. OHTF provides funding to HDGF projects predominantly serving low- to moderate-income households with incomes at or below 50 percent of the area median gross income (AMGI). OHTF gives preference to those projects that benefit households with incomes at or below 35 percent 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 HDGF 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 HDGF guidelines may be subject to change, pending developments in federal and state legislative requirements and/or OHFA policy.

**Funding Limits**

HDGF will provide funding up to the lesser of the per project limits or 50 percent of the total project costs.

The per project limits are as follows:

- $450,000 per project located in a HUD Participating Jurisdiction (PJ) area.
- $700,000 per project located in a Non-Participating Jurisdiction (non-PJ) area.
- $750,000 per project for permanent supportive housing.

A list of Ohio's Participating Jurisdictions is available on HUD's website.

OHFA may subsidize more than 50 percent of the total development costs or exceed the per project limits, at its sole discretion, based on the needs of the project.

**Project Eligibility**

Proposed projects will be eligible if they are multifamily rental developments that will produce new affordable units or rehab existing units.

Projects must contain less than 25 units.

Transitional housing is eligible for HDGF funding if the applicant provides supportive services, the services are appropriate to the population being served, and the applicant designates a maximum occupancy period for residents prior to leasing units in the project. The minimum occupancy period for transitional housing is six months.

Applicants proposing to submit a project previously funded under any OHFA program must contact OHFA in advance to discuss the proposal.

## Eligibility Requirements

| | Eligible | Ineligible |
|---|---|---|
| **Applicants** | 1) Ohio-based organizations, which are one of the following:<br>a. Private for-profit housing developers (Rental & Preservation Projects only);<br>b. Not-for-profit 501(c)(3) and 501(c)(4) organizations; or<br>c. Public housing authorities.<br>2) Organizations proposing to develop affordable for-sale homes, provide new affordable rental housing opportunities, or preserve affordable at-risk housing. Entities receiving an award of HDGF funds must act as the majority/controlling partner, sole owner, or a general partner/managing member during the entire construction phase. OHFA must approve any changes to the HDGF-recipient (applicant) after the construction phase.<br>3) Religious organizations and their subsidiaries/affiliates which meet the provisions in 24 CFR Part 92.257.<br>4) State-Certified Community Housing Development Organizations (CHDOs). State-Certified CHDOs that receive operating support or are requesting operating support from the state through the competitive operating grant program may only submit applications for project development in their defined service areas. | Local Governments |
| **Uses** | Development budget line items that can be paid for using HDGF funds include:<br>1) Acquisition of land and/or building(s) (from unrelated third parties only);<br>2) Demolition (not applicable for Preservation projects);<br>3) On-site improvements;<br>4) Construction and/or renovation costs including construction fee items, construction contingency, and contractor overhead and profit (excluding costs associated with construction of commercial property);<br>5) Furnishings and appliances;<br>6) Architectural and engineering fees;<br>7) Developer fees;<br>8) Consultant fees.<br>Other development budget expenses must be covered by sources of financing other than HDGF.<br>See the Gap Financing Application for a more detailed list of eligible and ineligible line items. | 1) Infrastructure (roads, sidewalks, water/sewer lines on roadways) is considered an off-site improvement and is not an eligible use for HDGF.<br>2) Market rate units and/or commercial spaces involved in the proposed project. |
| **Projects** | Projects which are consistent with OHFA Policy Statements. | 1) Any project in which construction or construction-related activity is initiated, other than site control, prior to a commitment (funding agreement) of the HDGF funds and receipt of all appropriate clearances (i.e. environmental review, if applicable).<br>2) Projects that must be licensed to allow for residents to occupy the development;<br>3) Projects that, through local zoning codes, are defined as a group home;<br>4) Project that are identified as hospitals, nursing homes, sanitariums, lifecare facilities, retirement homes (if providing significant services other than housing are mandatory for residents), employer housing, mobile or manufactured homes and student housing;<br>5) Projects that have received a new allocation of tax-exempt bond or 501(c)(3) bond financing for new construction;<br>6) Projects that have received Financial Adjustment Factor (FAF) or Housing Investment funds specifically attributed to the development or revitalization of projects in connection with other OHFA programs;<br>7) Projects that have previously received an award of state resources, whether administered by OHFA or the Office of Housing and Community Partnerships; or<br>8) Projects that are considered short-term housing (occupancy of less than six months), student housing, and shelters. |

## Guiding Principles

OHFA's multifamily programs are designed to create financially and physically sustainable affordable housing 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.

These principles will guide the allocation of resources for all projects funded through OHFA. While these policies relate to OHFA programs in general, a specific policy might not directly relate to a given funding source. The statements are not listed in any particular order; rather, the priority of each policy is reflected in the particular allocation process.

OHFA will allocate resources to proposals that promote the policies and goals indicated in the following policy statements and are determined to be in the best interest of the citizens of the State of Ohio.

*Types of Housing and Location*

- OHFA supports the development of four types of housing: apartments for families; apartments for seniors; single-family, lease-purchase Housing Tax Credit (HTC program only); and single-family homeownership.
- OHFA will allocate funding sources to achieve a balanced distribution of resources based on geography, population served, and historic investment. OHFA will use its sole discretion to determine if it needs to override the balance to serve areas of greatest need when necessary.
- OHFA will allocate funding sources to preserve existing affordable housing that is in need of rehabilitation and has Section 8 or equivalent federal rental assistance contracts.
- OHFA supports Permanent Supportive Housing (PSH) as stand-alone developments or typical multifamily or senior developments that include a percentage of PSH units.
- OHFA supports proposals that demonstrate collaboration with local units of government.
- OHFA supports the re-development of vacant properties in areas of the state most impacted by the foreclosure crisis.
- OHFA supports the development of affordable housing in all areas of need including areas within a Qualified Census Tract and Difficult Development Areas.
- OHFA supports development in new markets where no previous product development has taken place.
- OHFA supports developments that are partially funded by Historic Preservation Tax Credit programs.

*Types of Subsidy*

- OHFA supports proposals that leverage substantial federal, state, local or public housing authority or other development subsidies such as the USDA Rural Development Section 515 program, HUD Choice Neighborhoods program and the HUD Section 811 program.
- OHFA supports the development of projects that will serve very low- and extremely low-income populations and/or provide rental subsidy for the residents.

*Project Characteristics*

- OHFA supports developments that demonstrate a sustainable market.
- OHFA will assess project and unit amenities for durability as well as utility.
- OHFA supports Visitability – the three features of which will be incorporated into all newly constructed properties, and wherever possible in rehabilitation properties.
- OHFA supports designs which promote usability for all (Universal Design) in all new construction and rehabs.
- OHFA supports developments that meet the latest Enterprise Green Communities criteria.
- OHFA supports amenities and designs which distinguish a development from the competition.
- OHFA will require the development of proposals that meet our Minimum Financial Evaluation Process and Standards. OHFA will also consider project costs of a reasonable level when evaluating proposals.
- Proposals within the HDGF program must consist of fewer than 25 units.

*Development Team Characteristics*

- OHFA supports development teams with significant capacity, a solid track record of partnership with the agency and a history of success developing the type of affordable housing proposed.
- OHFA supports developments in which the majority owner or 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.
- OHFA supports development teams with a strong financial base.
- OHFA supports development teams with the ability to meet key responsibilities in a timely and efficient manner. Included in the development team are the general partners, developers, and property manager.
- Development teams will also be evaluated on any 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 due to OHFA.
- OHFA supports the endeavors of community-based, non-profit housing organizations to develop housing in their service area.
- OHFA values development team members that are certified as a Minority Business Enterprise (MBE) or a Woman Business Enterprise (WBE) by the State of Ohio. OHFA encourages MBE or WBE participation in the construction or soft-cost related services performed on projects funded with OHFA resources.

*Management Company Characteristics*

OHFA supports management companies (both for-profit and non-profit) that:

- Have a proven record of maintaining compliant Housing Tax Credit (HTC) communities, as well as other types of affordable housing;
- Take an active role in the apartment community and are committed to providing rental homes and apartments that are safe, decent, and promote a good quality of life for the residents;

- Understand the populations they serve by creating effective partnerships to provide the services necessary for sustaining and enhancing the well-being of the residents;
- Are accessible and responsive to the needs of their residents, employees, vendors, investors, and OHFA;
- Strictly adhere to all local, state, and federal Fair Housing and landlord-tenant laws, and are particularly committed to ensuring their apartment communities are accessible to mobility and sensory impaired residents and their guests;
- Have a well-articulated and measurable plan for self-monitoring and maintaining the compliance of the property;
- Are properly qualified to manage residential property in all states in which the company operates;
- Promote employee development through licensure, sponsoring membership in professional organizations, ongoing continuing education and affordable housing training;
- Are financially stable and take seriously their fiduciary responsibility to the owner;
- Use the most up-to-date technology to manage and market their apartment communities; and
- Place an emphasis on the orderliness and security of their record keeping system to ensure the safety and security of private, sensitive information found within tenant files and databases;

*Good Partnership*

OHFA requires that any developer, owner, syndicator and/or management company must perform their responsibilities in a spirit of good partnership and conduct business according to the following principles:

- Accountability: A participant must demonstrate responsibility for the execution and administration of the tasks undertaken.
- Timeliness: Information must be submitted within established timeframes for each project.
- Professionalism: Information submitted must be organized, concise, complete, accurate, true and current. Participants are expected to communicate in a respectful manner with OHFA staff.
- Collaboration and Cooperation: A participant must collaborate with OHFA in a mutually cooperative spirit to achieve the common goal of providing affordable housing in Ohio.
- Responsiveness/Communication: A participant will always provide prompt notification of issues, concerns or any other matters that affect a project and will immediately communicate to OHFA any modification, change or amendment sought.

A participant failing to follow these principles will be subject to review by OHFA. OHFA will, in its sole and absolute discretion, determine the appropriate measures to be taken – which will range from counseling to prohibition from participation in any OHFA program.

# Section 2: Process and Project Selection

**HDGF Program Calendar**

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| June 19, 2013 | Final deadline for submission of experience and capacity applications |
| June 19, 2013 | Deadline to submit requests for exceptions to program requirements |
| June 28, 2013 | 2013 Gap Financing Application available |
| July 31, 2013 | HDGF proposals due<br>Proposal meetings may be required on a case by case basis |
| August 5, 2013 | Site visits begin |
| August 29, 2013 | Announcement of HDGF awards |
| December 5, 2013 | Final application deadline |

**Experience and Capacity**

OHFA will conduct a review of the experience and capacity of potential general partners, developers and management companies prior to submission of HDGF applications for individual proposals. The result of this review will determine whether an organization may participate in the upcoming program year.

The following items must be submitted for OHFA to conduct the experience and capacity review of general partners and developers:

1. A completed OHFA Experience and Capacity Application.

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

3. The most recent audited financial statements for the organization. If an organization is not required to prepare audited financial statements, then statements that have been reviewed or compiled by a third-party accountant may be submitted. The most recent internally prepared financial statements are acceptable only if audited, reviewed or compiled statements are not available.

The following items must be submitted for OHFA to conduct the experience and capacity review of management companies:

1. A brief narrative describing the experience of the organization with regard to the management of subsidized and/or affordable housing, including the number of projects and units currently managed and any projects and units the organization anticipates managing within the next 24 months.

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

3. A completed Management Company Capacity Review survey.

*OHFA will run a credit report on applicants and members of the development team.*

**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. Exceptions will be considered only for those items specifically identified in these guidelines.

**Application Submissions**

All application materials for the 2013 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 current Gap Financing Application (GFA) available on the OHFA web site at www.ohiohome.org/hdap/documents.aspx. 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. See the instructions in the current GFA for details on electronic submissions.

**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.

**Competitive Selection Process**

Projects will be selected based on the strategic criteria outlined in this section. Applicants must submit adequate documentation that indicates which points they are claiming and how they meet the criteria. The applicant is responsible for determining how best to provide evidence of their qualification for the points, but third party verification is always preferred by OHFA. Points for each criterion will be awarded at the sole discretion of OHFA, based on how proposed applications and submitted documentation meet the intent of the criteria and based on other applications submitted.

*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 are part of a comprehensive neighborhood revitalization effort, projects that include the redevelopment of a vacant or foreclosed multifamily building, or projects that are financed with state or federal historic tax credits.
- 10 points will be awarded to projects that contain project based section 8 vouchers for 100 percent of the units, projects that are being developed by a state certified CHDO working in their service area, projects that contain one unit that serves individuals at or below 18% AMGI, or projects that are considered to have innovative features that benefit the project, the residents, or result in cost savings.

- 10 points will be awarded to projects that are developed in a non-QCT, one of the 32 Appalachian counties as designated in the Appalachian Regional Development Act of 1965, or in a primary market area where no previous development has taken place using OHFA multifamily program funds for the population to be served.
- 10 points will be awarded to projects that will successfully obtain Enterprise Green Communities certification. OHFA reserves the right to work with applicants that are awarded or applying for Federal Home Loan Bank AHP funds, or projects that 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.
- Up to 15 points will be awarded based on the applicant's ability to demonstrate that the project meets OHFA underwriting requirements. Those applications that meet all of OHFA's underwriting requirements will receive full points in this criterion.

*Market Quality* *30 Points*

Applications may receive a score of up to 30 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.
- Up to 10 points will be awarded to projects that will not negatively impact existing affordable housing projects. OHFA will examine the location of proposed projects to a database of all previously OHFA funded projects and award points accordingly.

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

- OHFA will consider the geographic distribution of resources;
- 50 percent of OHTF funding must be allocated to Non-PJ areas; and
- The efficient use of resources to reach the program's goal of funding 80 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.

**Threshold Review**

**Proposal Applications**

OHFA will conduct a threshold review of the proposal application to determine if it is complete, contains all necessary forms and supporting evidence, and meets minimum program requirements. After a review of all threshold requirements, OHFA will offer the applicant an opportunity to correct any errors.

The threshold criteria are as follows:

1. *Complete and Organized Application*

   The Gap Financing Application (GFA) and all required materials must be submitted on a compact disc, organized and formatted according to the index provided with the application. 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 and must be submitted in its original, paper form. Any applications that are incomplete, inconsistent, and/or illegible will be rejected. OHFA defines incomplete as any required documentation that is not curable in a two-week period.

2. *Application Fee*

   An application processing fee of $200 must be submitted with the application.

3. *Proposal Summary*

   All applicants must complete and submit the OHFA Proposal Summary located in the Gap Financing Application.

4. *Evidence of Site Control*

   If the current owner is a general partner or limited partner in the project, the applicant must submit copies of the executed and recorded deed(s). If the current owner is not a general partner or limited partner in the project, then evidence of site control must be submitted. Acceptable forms of site control include, but are not limited to, a purchase contract, a purchase option, or a long-term lease agreement (minimum of 35 years in length). If parcels will be purchased from a city land bank, a copy of the final city council resolution approving the transfer of all applicable lots may be submitted as evidence of site control. Evidence of site control may not expire until a reasonable period of time following the scheduled announcement date for awards. All option agreements relating to the transfer of a site must be included in the application. OHFA reserves the right to require, as needed, additional documentation that provides evidence of proper site control.

   A scattered-site project is required to have at least 35 percent of the sites under control. A project qualifies as scattered-site if there are ten or more sites AND no more than 50 percent of the sites are contiguous.

5. *Zoning Verification*

   The applicant must obtain a letter from the local municipality stating that the site(s) is properly zoned for the proposed multifamily residential use. For jurisdictions with no zoning regulations in effect, a letter from the jurisdiction so stating is required. Applicants may request an exception to the zoning requirements if requested in advance of the proposal by the date indicated in the Program Calendar. The applicant must effectively demonstrate a good faith effort to secure proper zoning before the announcement of HDGF awards in order to remain eligible for funding.

6. *Market Study*

A market study conducted by an OHFA-approved market study professional must be submitted with the application for rental projects of 10 or more units.

Market Support Information:

a. For projects with fewer than 10 units, the applicant must define the primary market area and explain how this area was determined to be the primary market area. In addition, the applicant must provide detailed data supporting the need for the proposed project. Suggestions include the following, if applicable:

    1. For projects that are restricted to a unique population, the applicant may provide letters from supportive service agencies in the area that detail the need for the housing. The letters must include recent supporting data evidencing the need for additional housing among the targeted population.

    2. Waiting lists maintained by the applicant for similar projects in the market area providing evidence of a demand for additional affordable units.

    3. A letter from the Metropolitan Housing Authority (MHA) serving the area, which must include recent supporting data evidencing the need for additional housing among the targeted population. The letter must also include any support provided by the MHA (i.e. referrals or vouchers), and must be dated within six months of the HDGF application.

b. Additional Information: The applicant may provide any additional information to demonstrate a market exists for the proposed project.

7. *Supportive Services Plan*

*Senior Housing*

Applicants proposing housing that sets aside 100 percent of the units for households containing at least one person who is age 55 years or older are required to provide an experienced service coordinator, evidence of service coordinator salary or an in-kind service agreement, and a supportive service plan containing services that are appropriate for the population.

*Family Housing*

Proposals for family projects must provide the following services: 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.

Applicants will be required to submit a supportive service plan containing specific services and demonstrating linkages with local services agencies.

*Permanent Supportive Housing*

Applicants proposing permanent supportive housing must provide a supportive service plan. A plan submitted to a local Continuum of Care or other entity may be submitted. The plan should address the following items:

a. The population being served by the proposal and the experience the support provider has serving that population;

b. How the supportive service plan will address the needs of the specific population;

c. How the success of the supportive services plan will be evaluated; the formal and informal methods that will be used to evaluate the success of the development in meeting the individual needs of the residents, as well as addressing overall issues of homelessness; and how this information will be conveyed to OHFA and other organizations;

d. How the physical design of the building(s), the project site and location will enhance the lives of residents specific to their particular needs;

e. How residents will be linked to services not directly offered by the on-site service provider; and

f. The source of funding for the services and how the project plans to sustain supportive service provisions over the life of the compliance period.

8. *Preliminary Architectural Plans and Minimum Project Standards*

Preliminary architectural plans must be submitted and follow all requirements outlined in the Design Requirements section of these guidelines. All preliminary architectural plans will be reviewed for approval by OHFA's staff architect.

9. *Phase I Environmental Site Assessment (ESA) or Mini-Phase I (MP-1)*

Applicants may submit a Phase I ESA completed or updated by the author within one year prior to the application deadline for funds.  If an applicant is resubmitting a project from the previous year (2012), the same Phase I ESA may be resubmitted. Scattered-site proposals may submit either a Mini-Phase 1 report or a full Phase I ESA.

Projects receiving an award will be required to have a Phase I ESA valid in accordance with the ASTM E 1527-05 standard. One of the following is acceptable:

a. A Phase I ESA report dated within six months of the funding announcement.

b. If the Phase I ESA report is dated between six months and one year prior to the funding announcement, submit an update to the report dated within six months of the funding announcement.

c. If the Phase I ESA report is dated over one year prior to the date of the funding announcement, submit a new and complete Phase I ESA report.

Applicants cannot begin construction of any kind until environmental clearance is granted by OHFA. Failure to follow this requirement may result in a loss of HDAP funding.

10. *Capital Needs Assessment and Scope of Work*

Proposals for the rehabilitation of existing housing units must submit a capital needs assessment and scope of work. The assessment must conform to the OHFA Capital Needs Assessment standards. OHFA will use this assessment to determine whether the costs indicated in the application are appropriate considering the rehabilitation needs of the project.

11. *Public Notification*

The public notification process for local elected officials must be completed and evidence of completion must be provided at the time of application.

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 officials to be notified include:

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

The applicant must use the OHFA letter template (www.ohiohome.org/lihtc/PublicNotificationTemplate.doc) and include all information requested. 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.

Scattered-site projects must complete the public notification process for sites under control when the proposal is submitted, and again for all sites in the project prior to the final application deadline. Applicants are encouraged to contact appropriate local government officials prior to submitting an application to inform them of the details of their housing proposal.

12. *Utility Allowance Information*

Utility allowance information must be submitted with the proposal. Utility allowances may be submitted from the following sources:

- Local utility provider
- Public housing authority
- An estimate from a qualified third party engineer

13. *Communication with Local CHDO*

All applicants must communicate with the state-certified CHDO for the service area in which a development is proposed. Applicants must submit evidence of a “good faith” demonstration that appropriate communication with the local state-certified CHDO has occurred.

14. *Copy of Exceptions Granted by OHFA*

Applicants must include a copy of each exception granted to the project by OHFA.

15. *Compliance with Enterprise Green Communities*

Projects seeking points for Enterprise Green Communities certification must submit a copy of the Green Communities certification workbook. Instructions for obtaining Enterprise Green Communities may be found on OHFA’s website.

Evidence of final certification with Enterprise Green Communities will be required upon completion of construction.

16. *Non-Profit Information*

For all non-profits that are a member of the development team, the following items must be submitted:

- Non-profit board resolution authorizing the submission of the application.
- Evidence of Non-profit status.
- Non-profit by-laws.
- Non-profit articles of incorporation.

**Final Applications**

OHFA will conduct a threshold review of the final application to determine if it is complete, contains all necessary forms and supporting evidence, and meets minimum program requirements. After a review of all threshold requirements, OHFA will offer the applicant an opportunity to correct any errors.

The threshold criteria are as follows:

1. *Complete and Organized Application*

The Gap Financing Application (GFA) and all required materials must be submitted on a compact disc, organized and formatted according to the index provided with the application. 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 and must be submitted in its original, paper form. Any applications that are incomplete, inconsistent, and/or illegible will be rejected. OHFA defines incomplete as any required documentation that is not curable in a two week period.

2. *Project Changes*

   All changes to the project must be disclosed with the submission of final application, and will be reviewed by OHFA on a case-by-case basis. Substantive changes will not be permitted, including, but not limited to, changes in ownership or development team, project physical structure, project site(s) (except scattered-site projects), special needs population, and any items affecting competitive scoring.

3. *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 final application. An executed conditional commitment letter for all sources must be submitted. A conditional financing commitment must contain, at a minimum: the amount of the financing, and the interest rate, term and amortization period or repayment terms of a loan.

4. *Affirmative Fair Housing Marketing Plan*

   a. An Affirmative Fair Housing Marketing Plan is required for all properties. Applicants that have a property with project-based Section 8, HUD Section 236 or USDA contracts may submit their current approved Affirmative Fair Housing Marketing Plan provided. OHFA, HUD and USDA require that the plan be updated every five years; therefore, if the plan's 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.

   b. The applicant must complete an Affirmative Fair Housing Marketing Plan (Form PC-E45) 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 (Form PC-E45) and reference materials are located on the OHFA website.

   c. 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.

5. *Ohio Housing Locator*

   The owner and/or property manager of all properties funded under this allocation plan will be required to list their properties in the Ohio Housing Locator at www.OhioHousingLocator.com, the OHFA-sponsored statewide affordable housing database, as soon as the units are placed in service. Applicants must submit a certification stating that this will be completed upon the project being placed in service.

6. *Eighty percent (80%) completed architectural plans and specifications*

   The applicant must submit a one-half sized set of drawings including civil, landscape, architectural, mechanical, electrical and plumbing. These drawings should be certified by the project architect to be 80 percent or better complete, and follow all requirements outlined in the Design and Project Standards section of these guidelines. All architectural plans will be reviewed for approval by OHFA's staff architect.

7. *Appraisal*

   An as-is appraisal of the project site(s) must be submitted. All appraisals must meet OHFA's Appraisal Submission Guidelines.

8. *Phase I Environmental Site Assessment (ESA)*

   For those projects which submitted an MP-1 review at proposal (scattered site projects only), a Phase I Environmental Site Assessment (ESA) must be submitted for all proposals. If a full Phase I ESA was submitted with the proposal application, one need not be resubmitted with the final application. The report(s) must comply with current OHFA standards. The owner must submit a narrative that addresses any issues raised in the report(s). OHFA reserves the right, in its sole discretion, to reject any sites indicated to have environmental problems or hazards. The Phase I ESA must have been completed or updated by the author within one year prior to the application deadline for HDGF.

9. *Ohio Based Labor and Materials Form*

   If applicable, the applicant must submit the Ohio Based Labor and Materials form to substantiate the increased developer fee.

10. *JobsOhio Tax Release Form*

    The applicant must submit a completed JobsOhio Tax Release Form. This document may be found on OHFA's website.

11. *Legal Description*

    The applicant must submit a completed legal description using OHFA's template. This document may be found on OHFA's website.

12. *Third Party Cost Estimate*

    The applicant must submit a third party cost estimate from a qualified professional.

13. *Relocation Plan*

    If applicable, the applicant must submit a tenant relocation plan.

14. *Uniform Relocation Act*

    If applicable, the applicant must submit uniform relocation act documentation. This documentation may be found on OHFA's website.

Applicants will have an opportunity to correct deficiencies and address issues found during the threshold review and underwriting. OHFA will contact the applicant with any questions during this process. Developments that receive gap financing will be presented to the OHFA Board for consideration of these other sources.

# Section 3: Underwriting Guidelines

OHFA will perform an underwriting evaluation on projects that request an award of HDAP. The evaluation will include a review of the financing sources, development budget, income and operating expenses, and a 15-year cash flow analysis. The underwriting process and standards are designed to ensure that OHFA awards the minimum amount of subsidy necessary for the development of cost-effective, financially viable, and sustainable affordable housing projects.

The following criteria shall apply to all projects unless otherwise noted.

1. Development Financing

   a. All Sources Identified - All sources must be identified, including mortgages, seller financing, soft or non-recourse loans, grants, development team contributions, or other sources used.

   b. Financing

      1. Commitments – Final applications must include commitments for all development financing sources.

      2. Terms – OHFA will evaluate the terms of each funding source. OHFA, at its sole discretion, may require a change in the terms of any funding source which OHFA determines will cause unnecessary or excessive subsidy to be required for a project.

2. Development Budget

   A. All Uses Identified - All costs must be identified, including acquisition, construction, contingencies, reserves, developer fees and other soft costs. Applicants should contact OHFA for instructions on how to account for any unusual costs.

   B. Sources and Uses Match - The project's total sources must always equal the total project cost. If the sources exceed the costs, OHFA will reduce any OHFA Gap Financing so that sources equal uses.

   C. Total Project Costs – OHFA will evaluate the reasonableness of costs by comparing the development budget with development budgets from current applications for similar projects, development budgets from 2012 HDGF final applications for similar projects, and the most recent HUD 221(d)(3) limits. OHFA reserves the right to require justification for any line item and will reduce a line item if a justification suitable to OHFA is not provided.

   D. Acquisition Costs - The cost of the land and building(s) must be less than or equal to the value indicated in an appraisal that meets OHFA's Appraisal Scope and Guidelines.

   E. Hard Construction Costs - Hard Construction Costs are defined as the total of on-site development costs and hard construction (rehabilitation, new construction, commercial, fee items, and furnishings, fixtures & equipment) cost line items. The OHFA architect and/or a third party may be used to review the scope and specifications of any project to determine the appropriateness of the construction hard cost budget.

      1. Construction Contingencies - The maximum hard cost contingency is five percent

for new construction and 10 percent for rehab projects. The maximum soft cost contingency is two and a half percent of total soft costs.

2. Contractor's Cost Limits - Once the maximum amount of the Contractor Fee is determined after the final application underwriting review , this amount cannot be increased if costs are higher but is also not required to be decreased if final hard construction costs are lower than underwritten. In addition, if hard construction cost savings are identified in the final cost certification, these savings will be shared among the contractor, developer, and OHFA and may be added to the maximum Contractor Fee and Developer Fee amounts. For related party contractor-developer entities, the cost savings will be divided 50 percent to the contractor-developer and 50 percent to OHFA. For third- party contractors, the cost savings will be divided with 67 percent to the contractor/developer team, and 33 percent to OHFA. OHFA's share may be taken as cash, or used to reduce the project's Gap Financing award.

   Contractor Cost Limits are as follows:

   a. Contractor Profit = six percent of hard construction costs.

   b. Contractor Overhead = two percent of hard construction costs.

   c. General Requirements = six percent of hard construction costs.

F. Professional Soft Cost Limits - Total Professional Soft Costs may not exceed 20 percent of the total project cost. Professional Soft Costs include only the following: Architectural fees, Survey Costs, Engineering fees, Appraisal, Market Study, Environmental Report, Rent-up / Marketing; Title & Recording; Legal; Accounting fees; Developer's fee & Overhead; Consultant fees; Organizational fees. OHFA has the discretion to add other fees/costs listed in the Other line item to the calculation as appropriate.

G. Developer Fees - The maximum developer fee and overhead is limited to 10 percent of the total project cost. If the applicant chooses to participate in both the Ohio-Based Materials program and the Ohio-Based Labor program, then the maximum developer fee and overhead is limited to 15 percent of the total project cost.

Ohio-Based Materials

Intent: Increase demand for building materials and products that are extracted and manufactured within the state, thereby supporting Ohio-based manufacturing and sales employment.

Requirement: Use a minimum of five percent of buildings materials or products for which:

- At least 80% of the mass is extracted or processed and sold within the state of Ohio; or
- The end product is manufactured and sold in Ohio (with raw materials coming from Ohio or elsewhere.

Submittals:

- Provide the Ohio-Based Materials Letter Template (see Attachments), signed by the responsible party, declaring that the requirements have been met.
- Provide a product information sheet about the materials used.
- Provide a spreadsheet of all Ohio-based construction materials used on the project and the total amount of all materials, demonstrating that Ohio-based materials comprise at least five percent of the total cost of materials.

Ohio-Based Labor

Intent: Increase construction employment in Ohio by requiring that 90 percent of the project's construction labor force resides in Ohio.

Requirement:

- 90 percent of the project's total labor force must reside in the State of Ohio.

Submittals:

- Provide the Ohio-Based Labor Letter Template signed by each General Contractor and/or Subcontractor certifying that at least 90 percent of their labor force resides within the State of Ohio.

The following budget items will be included in calculating the maximum Developer Fee: all consultant fees, construction management fees, guarantee fees, developer asset management fees and any financing fees charged by the developer. OHFA, at its sole discretion, may add other fees to the calculation as appropriate.

3. Income and Expense Analysis

OHFA will evaluate the reasonableness of expenses by comparing the operating expense budget for a project to operating budgets from current applications of similar projects, comparable properties in the developer's or syndicator's/investor's portfolio, the appraisal, and OHFA's operating survey data. Additional due diligence will be performed on any line item that is significantly higher or lower than current applications for similar projects. Developers must provide additional information on any line item at OHFA's request. OHFA will reduce or increase a line item if an adequate justification is not provided and/or a cost is substantially above or below a reasonable, objective industry standard. OHFA will provide the operating survey data on its website for owners to use as a guideline.

A. Income/Expense Escalations - OHFA will assume an annual income increase of two percent and an annual expense increase of three percent. Exceptions will be permitted for properties in which operating subsidy is provided by HUD or the local public housing authority to guarantee break-even operations at the property.

B. Rental Income – Rents must conform to applicable HDAP guidelines.

C. Commercial Income – Income from commercial space will not be considered in a cash flow analysis nor contributed towards meeting the Hard Debt Service Coverage Ratio (DCR) requirements.

D. Other income – Fees and other income such as laundry/parking must be reasonable and comparable to other properties within the region and developer's portfolio, and must be voluntary to the tenant (e.g., do not underwrite rent late fees and other charges).

E. Vacancy - OHFA will assume a seven percent vacancy rate to calculate the effective gross income. Applicants of existing projects with HAP Contracts, other existing project based vouchers or preservation projects may request a rate of five percent (5%) if they can document a history of strong occupancy rates.

F. Utilities - Utility allowances must conform to all applicable program guidelines.

G. Real Estate Tax Exemptions, PILOTs and Abatements – Will only be considered during underwriting if the tax instrument is by right or has completed the required legislative process and is binding to the granting government entity. OHFA will require complete documentation for any projects that seek to have tax instruments considered at underwriting. Adjustments will be made for items that expire prior to 15 years.

H. Debt Coverage Ratio - The minimum acceptable DCR is 1.20 for the first year of stabilized operations. The project must maintain an annual hard DCR above 1.0 during the first 15 years. For a project with no hard debt, the project must maintain an annual income to expense ratio above 1.0 during the first 15 years.

The average hard DCR over the first 15 years must not be greater than 1.5. The average income to expense ratio over the first 15 years must not be greater than 1.5.

Exceptions may be made for Rural Development projects that demonstrate a legitimate need.

4. Reserves - All reserves must remain in place for the duration of the compliance period unless used for a legitimate project expense.

A. Operating Reserves - The minimum Operating Reserve for a project is four months of the first stabilized year's projected operating expenses, hard debt service payments, and replacement reserve contributions and the maximum is nine months of the first stabilized year's projected operating expenses, hard debt service payments, and replacement reserve contributions. OHFA will consider an exception to this requirement if a reasonable justification with supporting documentation is provided.

B. Replacement Reserves - OHFA's minimum replacement reserve amounts by product type are:

- Senior New Construction = $250 per unit
- Family / PSH New Construction = $350 per unit
- Senior Rehabilitation = $350 per unit
- Family / PSH Rehabilitation = $400 per unit

Capitalized Prefunded Replacement Reserves are not permitted for new construction projects.

C. Lease-up Reserves – Lease-up reserves are not permitted. Lease-up costs must be counted in Rent-up marketing project costs.

D. Special Reserves – If special reserves are required by HUD, RD, the mortgage provider, OHFA at its sole discretion may allow these reserves to be released prior to the end of the compliance period. OHFA will work with the developer to determine appropriate release of reserves.

# Section 4: Design Requirements

It is OHFA's intent to provide affordable housing that is durable, energy efficient, and cost effective over many years, that will result in lower operating and maintenance costs and that will provide those in need of affordable housing safe, clean, and durable housing in which to live.

Deviations from OHFA standards are discouraged, and applicants may only request exceptions where specified. Any requests for an exception to specific requirements must be submitted to OHFA by the date indicated in the Program Calendar. Since awards are based on your proposed development, exceptions after an award has been made will only be considered for truly extenuating circumstances.

All projects that receive an award of funding will be required to work with OHFA's architect to ensure that projects meet OHFA's requirements.

**Submittals**

Preliminary architectural drawings must be 11x17 ("half size") and include:

- A cover sheet with project title, development team, drawing index, building areas and code information;
- site plan;
- landscape plan;
- floor plan with dimensions, room designations and proposed finishes;
- exterior elevations with material notations; and
- typical wall section.

Preliminary drawings must be paper and electronic (both PDF & DXF).

Eighty percent (80%) must be submitted in PDF format (separate PDF files for drawings and specifications) that includes all site plans, dimensioned floor plans, elevations, wall sections, structure, finishes, details and mechanical plans. Additionally, each project must have dimensioned floor plans submitted in DXF or DWG AutoCAD R-14 format and an 11x17 plan hard copy (dimensioned floor plans only). All 80 percent sets must show compliance with preliminary submittal and Universal Design features. The Universal Design narrative must be included on the construction documents.

**Square Footage Calculation**

Projects must use BOMA (Building Owner Management Association) multifamily standards using the "gross method".  All square footages must be calculated and certified in the GFA by the Architect of Record.

**Minimum Project Standards**

*Minimum Projects Standards for All Projects*

Bedrooms must meet the following requirements:

- In one-bedroom units, the bedroom must be at least 120 square feet.
- For a two-bedroom unit, the master bedroom must be at least 120 square feet, and the second bedroom must be at least 110 square feet.
- The third and fourth bedrooms in a unit must be at least 100 square feet.
- Bedrooms must have walls and doors separating them from adjacent space to be considered a bedroom. Any room shall be considered as a portion of the adjoining room when at least one-half of the area of the common wall is open and unobstructed.

OHFA reserves the right to limit the size of units during the application review process.

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

The maximum common area (including required circulation) in any project is 20 percent of the total gross building square footage. Dedicated program space is excluded from this calculation. Existing housing units are exempt from this criterion.

All developments must be compliant with OHFA Universal Design requirements referenced in this section.

Each unit must provide a refrigerator and stove in good working order.

A single-site multifamily project must provide a parking lot with concrete curbs or wheel stops 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.

*Additional Requirements for New Units*

Each bedroom in new construction or adaptive reuse units must be at least seven feet in each direction, and contain a closet in addition to the minimum square footage.

Minimum unit size (residential living space) for new construction and adaptive reuse projects are as follows, inclusive of the above bedroom sizes:

- Efficiency Units: Exceed 450 S.F.
- 1-Bedroom Units: Exceed 650 S.F.
- 2-Bedroom Units: Exceed 850 S.F.
- 3-Bedroom Units: Exceed 1,000 S.F.
- 4-Bedroom Units: Exceed 1,200 S.F.

OHFA will not fund projects in the HDGF round that contain single-room occupancy units.

In all new construction units, 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.

All new construction units will incorporate the following Universal Design elements which constitute "Visitability":

- 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 the applicant's request.
- Doors/Openings: All doors and openings shall have a minimum net clear width of 32 inches. All doors must be solid core.
- Bathroom/Half Bath: Provide a bathroom or half bath on the main floor with clear floor space of 30 inches by 48 inches.

If the applicant feels that some or all of the project's proposed buildings will be unable to meet the Visitability requirements due to topography or other site/design limitations, complete Form PPD-E01 Reconsideration of Visitability Requirements. The OHFA architect will be in contact to work out solutions or will make a determination of whether to waive one or more of the Visitability requirements.

New construction proposals must include new appliances.

All new construction units must include energy efficient heating and air conditioning systems.

*Additional Requirements for Senior Housing Projects*

Proposals for senior housing are required to have all units with no more than two bedrooms and no more than one and a half baths, and the full bath must contain an ADA compliant shower.

Proposals for senior housing are required to have all buildings with only one story unless an elevator is provided.

Requests for exceptions may be submitted only for items specifically noted above. All requests for exceptions must be submitted to OHFA by the date indicated in the Program Calendar. OHFA will evaluate each project on a case-by-case basis and staff decisions will be final.

*Additional Requirements for Permanent Supportive Housing Projects*

Proposals for PSH may contain one-bedroom units that are 540 square feet.

**Universal Design Requirements**

OHFA values developing housing designed to be used by all. This concept is generally referred to as Universal Design, and is also known as Inclusive Design, Aging-in-Place and Design for All.

The definition of Universal Design, developed by the Center for Universal Design*, and adopted by OHFA is, "The design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialization."

*General Requirements*

All units developed with OHFA resources will be designed to meet the following principles of Universal Design. Applicants submitting proposals must submit designs addressing the following principles and a narrative detailing how the proposal meets these principles. The narrative must also summarize all of the universal design features that are being proposed. The summary should be in the form of a list or matrix, by room and functional area (such as hallway, stairway, and general circulation.) The narrative should also indicate that all of the features will be present in all of the units in the development or state the reasons why there are exceptions to this.

OHFA recognizes that not all Universal Design principles can be incorporated into every proposal. OHFA staff will work with each applicant to help achieve maximum application of Universal Design principles.

Applicants must receive design approval from OHFA on these principles before receiving OHFA resources on a given proposal.

*Principles of Universal Design*

1. Equitable Use: The design does not disadvantage or stigmatize any group of users.
2. Flexibility in Use: The design accommodates a wide range of individual preferences and abilities.
3. Simple, Intuitive Use: Use of the design is easy to understand, regardless of the user's experience, knowledge, language skills, or current concentration level.
4. Perceptible Information: The design communicates necessary information effectively to the user, regardless of ambient conditions or the user's sensory abilities.
5. Tolerance for Error: The design minimizes hazards and the adverse consequences of accidental or unintended actions.
6. Low Physical Effort: The design can be used efficiently and comfortably, and with a minimum of fatigue.
7. Size and Space for Approach & Use: Appropriate size and space is provided for approach, reach, manipulation, and use, regardless of the user's body size, posture, or mobility.

**Additional Requirements**

*Section 504 Accessibility Compliance*

HDGF financing requires that all rental projects comply with HUD's Section 504 Accessibility Guidelines. For both New Construction and Rehab projects, five percent of the units must be accessible to individuals with mobility impairments and an additional two percent must be accessible to individuals with sensory impairments. The projects must have a minimum of one mobility unit and one sensory unit. Compliance with the Uniform Federal Accessibility Standards (UFAS) is an acceptable means of meeting the technical accessibility requirements of the Section 504 regulations.

OHFA recognizes that for some rehabilitation projects, the costs associated with 504 Accessibility requirements may be overly burdensome due to existing design constraints. OHFA may consider an exception to some of the accessible design features if the applicant can demonstrate that such modifications would be financially unreasonable. No waivers will be granted for new construction projects.

*Conformity to Fair Housing Requirements*

- All newly constructed units developed under OHFA guidelines shall be designed to comply with the Fair Housing Act (FHA) - even those units not covered by the Act.
- Units that are being rehabbed shall be designed to incorporate these features to the extent possible.
- In a two or more story single-family house or townhome, all floors must be designed in accordance with three through seven below. To be clear, this means that all bathrooms, kitchens, hallways, doors, light switches, electrical outlets, thermostats and other environmental controls, regardless of the floor on which they are located, must conform to those requirements.

Compliance with the FHA calls for seven basic design and construction requirements:

1. An accessible building entrance on an accessible route.

   All units must have at least one no-step entrance and be on an accessible route. An accessible route means a continuous, unobstructed path connecting accessible elements and spaces within a building or site that can be negotiated by a person with a disability who uses a wheelchair, and that is also safe for and usable by people with other disabilities. An accessible entrance is a building entrance connected by an accessible route to public transit stops, accessible parking and passenger loading zones, or public streets and sidewalks.

2. Accessible common and public use areas.

   Developments must have accessible and usable public and common-use areas. Public and common-use areas cover all parts of the housing outside individual units. They include -- for example -- building-wide fire alarms, parking lots, storage areas, indoor and outdoor recreational areas, lobbies, mailrooms and mailboxes and laundry areas.

3. Usable doors (usable by a person in a wheelchair).

   All doors that allow passage into and within all premises must be wide enough to allow passage by persons using wheelchairs.

4. Accessible route into and through the dwelling unit.

   There must be an accessible route into and through each unit. This includes all hallways, stairways and doorways.

5. Light switches, electrical outlets, thermostats and other environmental controls in accessible locations.

   Light switches, electrical outlets, thermostats and other environmental controls must be in accessible locations.

6. Reinforced walls in bathrooms for later installation of grab bars.

   Reinforcements in bathroom walls must be installed, so that grab bars can be added when needed.

7. Usable kitchens and bathrooms.

   Kitchens and bathrooms must be usable - that is, designed and constructed so an individual in a wheelchair can maneuver in the space provided.

*Notifications to Accessibility Organizations*

Applicants must notify the appropriate accessibility, which are identified on the OHFA website, at the time of application that accessible housing is being proposed, agree to accept referrals for potential residents, and agree to receive design suggestions for the property. Such notification must take place again when the project is placed into service. Copies of correspondence between the applicant and accessibility group must be submitted to provide evidence of these requirements.

# Section 5: Post Award

**Required Timeframe**

Construction must begin within 12 months of the date the HDGF funding agreement is signed. If acquisition of land and/or buildings is proposed, acquisition must occur within 12 months of the date the HDGF funding agreement is signed.

**Financing Terms**

Applicants that appropriately provide evidence of status as a non-profit can request either a grant or loan from HDGF. However, OHFA reserves the right to award either a loan or a grant based on the financial underwrite of the project.

Loan terms:

1. Two percent interest rate.
2. Loan will mature at the end of the affordability period, which is defined as the minimum term required in 24 CFR Part 92 plus an extended affordability period imposed by OHFA.
3. The total term will be up to 30 years unless the applicant requests and can justify the need for an extended term.
4. 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.
5. Payments will be based on available cash flow.
6. Loan interest will accrue and repayment obligations will start following the project close-out conducted by OHFA staff.
7. Loans will be made to the HDGF recipient as the project's general partner, managing member or equivalent. The HDGF recipient may loan the HDGF 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 HDGF recipient.

The loan term and affordability period does not begin until OHFA verifies that the project is complete and that eligible tenants occupy the assisted units. This is evidenced with the Final Performance Report and confirmed by OHFA with a close out letter.

If the property is sold prior to loan maturity, OHFA may require that all, or a portion of the outstanding principal and accrued interest shall 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 affordability period, determination has been made 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.

OHFA will consider other options for repayment calculation if HUD or USDA RD are involved in the permanent financing or have provided debt to the project.

Eligibility for Grant Funding:

1. To be eligible for a grant, the following criteria must be met:
    a. A grant has been requested by the HDGF recipient.
    b. The controlling general partner, managing member or equivalent (HDGF recipient) is a 501(c)(3) or 501(c)(4) non-profit (a 25% owner fitting this description will not qualify for a grant).
    c. At least 20 percent of the units in the project will be affordable to and occupied by households earning at or below 35 percent of the AMGI.
    d. The HDGF Recipient agrees not to loan the HDGF funds to the project.
2. The HDGF award will be considered a loan during the construction phase of the project and OHFA will take a subordinate mortgage position on the land/buildings.

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

**Closing Process**

OHFA has instituted the following procedures for closing on the award of funds:

1. The HDGF recipient must print the HDGF Closing Checklist from the OHFA website at: http://www.ohiohome.org/hdap/closingchecklist.doc
2. The HDGF recipient must forward a complete closing packet to:

Ohio Housing Finance Agency
Legal Department
57 E. Main Street
Columbus, Ohio 43215

3. The HDGF Closing Packet must include the following, in order:
    a. Completed Checklist.
    b. Formal letter requesting the closing of the HDGF Award.
    c. All other documents required in the checklist in the order they appear on the checklist, including special conditions.
    d. Documentation to satisfy any special conditions noted in the Attachment A of the funding agreement.

**Drawing on the HDGF Award**

OHFA will retain up to 10 percent of the HDGF award until the project is complete and the final performance report has been approved.

OHFA has developed a “Guide to Drawing HDAP” which is available on the OHFA website. Applicants are encouraged to review this before applying to ensure they will be able to meet the requirements to draw funds.

**Subsequent Changes**

The HDGF Recipient is required to notify OHFA immediately and request approval of any changes that occur in the project at any time during construction or during the affordability period. Such changes include, but are not limited to: changes in the development team (developer, general contractor, etc.); changes in the number of units or unit mix; changes to the target population, etc.

The request may also be sent through email as a PDF document, or mailed to the OHFA analyst assigned to the project at the following address:

Ohio Housing Finance Agency
57 East Main St.
Columbus, OH 43215

# Section 6: Affordability and Long-Term Requirements

**Affordability Restrictions**

HDGF financing requires that the following rent and occupancy restrictions are reflected in the application and are complied with throughout the entire affordability period.

1. Restricted Units:
    a. The HDGF application must be for the number of restricted units in the project. For projects located in PJ areas, 40 percent of the project’s affordable units must be occupied by and affordable to households at or below 50 percent AMGI. For projects located in Non-PJ areas, 35 percent of the project’s affordable units must be occupied by and affordable to households at or below 50 percent AMGI.
    b. If the percentage of HDGF used to finance the project exceeds 40 percent in a PJ or 35 percent in a non-PJ, the set-aside of restricted units must equal or exceed the percentage of HDGF funding in the project.
    c. Assisted Units are calculated based on HUD requirements for the HOME Investment partnerships Program, and are applicable to all developments funded in the HDGF program.

**Exception to Rent Restrictions (50 percent rents and High and Low HOME Rents)**

Projects that have project-based rental assistance with units that are occupied by families below 50 percent of the AMGI and pay no more than 30 percent of their adjusted income toward rent are exempt from the rent restrictions associated with High and Low HOME Rents and Restricted Units at 50 percent AMGI. Project-based rental assisted units can charge up to the contract rent prescribed by their project-based rental assistance contract. Should the project-based assistance contract be discontinued, the project will then be required to comply with the restricted rent (50 percent AMGI) and High and Low HOME Rent requirements. NOTE: The project must receive rental assistance on at least 50 percent of the units in the project or more than the required number of HDGF Assisted and Restricted units, whichever is greater.

**Affordability Period**

OHFA divides rental projects into two phases: construction and long-term affordability. During the construction period, no interest is being accrued nor are any payments due on the HDGF award. The affordability period does not begin until income-eligible applicants occupy all assisted units.

**Long-Term Compliance**

OHFA requires that recipients commit to rent and income occupancy and affordability restrictions on rental units funded in part by the HDAP as a condition of the award of funds. All recipients must follow the rules and regulations outlined in the most current OHFA Program Compliance Handbook.