



**Housing Finance
Agency**

Single Family Tax Credit Underwriting Guidelines

Office of Single-Family Housing | Updated September 18,
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A. Single Family Tax Credit Underwriting Introduction

Purpose

The Ohio Housing Finance Agency's (OHFA's) Office of Single Family Housing assists in the creation of affordable single family housing in Ohio through the administration of the state's Single Family Tax Credit (SFTC) Program. These underwriting guidelines were developed to meet the statutory requirements as set forth in Ohio Revised Code 175.17 and Chapter 175-12 of the Ohio Administrative Code, while implementing industry standards to ensure the development of financially feasible single-family residences that offer safe and affordable homeownership opportunities to qualified Ohioans during the ten (10) year affordability period.

These guidelines are subject to review and approval by the OHFA Board (Board), and the Board has the inherent authority to affirm all SFTC underwriting requirements.

Applicability

OHFA will perform financial underwriting analysis on all SFTC applications to ensure compliance with SFTC requirements. The Agency may request further clarification, justification, or documentation for any questions that are identified during the underwriting analysis. At its discretion, OHFA may reduce, alter, or remove items that do not meet the underwriting standards contained in these guidelines.

These guidelines will apply to any SFTC application submitted on or after January 1, 2024. The guidelines may be subject to change, pending developments in state legislative requirements, administrative rules, and/or OHFA policy.

Underwriting Process

All developments applying for SFTCs must undergo underwriting reviews at the following two stages:

1. Application submission prior to issuing an SFTC reservation; and
2. Development Submission Update.

Such developments must also meet all requirements outlined in the most recently published Single Family Tax Credit Allocation Plan. All terms capitalized in this section and not otherwise defined will have the same meaning as that defined in the 2024 - 2025 Single Family Tax Credit Allocation Plan.

B. Underwriting Standards

Analysis of the Development Budget (Uses)

Affordability

The total monthly cost of each unit of single-family dwelling in a project must not exceed the “affordable” definition in the Single Family Tax Credit Allocation Plan. The total monthly cost of each unit must not exceed 30% of the Qualified Buyer’s monthly income. In this case, “cost” is defined as monthly mortgage payment (including residential real estate taxes and insurance and, if applicable, condominium fees).

OHFA will evaluate development cost reasonableness pursuant to the Allocation Plan and/or program guidelines and may require additional information for developments that exceed expected budget projections based on comparable developments. Developments will be subject to any additional cost requirements imposed by the specific program to which application is made, if applicable.

Land Costs

OHFA will include the lot valuation, or the cost to develop the lot, in the total property valuation or the purchase price to arrive at the single family tax credit for that unit.

Hard Construction Costs

Hard Construction Costs include the following line items: demolition, on-site improvements, building construction amenity fee items, construction contingency, and furniture, fixtures & equipment.

Minimum Hard Construction for Rehabilitation

The scope of work for all rehabilitation projects must meet the standard set forth in the allocation plan.

Hard Construction Cost Contingency

The maximum Hard Construction cost contingency is 5% for new construction, 10% for rehabilitation, and 15% for adaptive reuse of Hard Construction Costs less construction contingency. Projects that have blended construction types may contact OHFA for additional guidance.

OHFA may allow exceptions to this limit if the applicant can demonstrate that another funding source requires a higher contingency. The requirement must be evidenced in a commitment letter from that funding source.

Any construction contingency that is not used must be utilized to benefit the buyers of single-family residences.

Contractor Fee and Cost Limits

The maximum contractor fee amount is determined and locked-in at either (1) Development Submission Update or (2) execution of the signed general contractor agreement. If locking in the contractor fee at execution of the signed general contractor agreement, the applicant must deliver a copy of that agreement and a lock-in request to OHFA within 30 days of the agreement's execution.

Upon lock-in, 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. Contractor cost limits are the following percent of Hard Construction Costs:

- Contractor Profit: 6%
- Contractor Overhead: 2%
- Contractor General Requirements: 6%

General Requirements include but are not limited to project management, superintendent, temporary construction sign, field office expense, storage trailers, portable restrooms, temporary utilities, and dumpsters.

Professional Soft Costs Definition

Professional Soft Costs are defined as survey(s) costs, architectural fees, engineering fees, appraisal, market study, environmental report, title & recording, marketing, legal fees (not syndication related), accounting fees, developer fee, application/development consultant fees, construction management fees, guarantee fees, developer-charged financing fees, organizational fees, soft cost contingency, syndication expenses, and developer-charged asset management fees.

Professional Soft Cost Limits

Developments may have a total professional soft cost no higher than 20 percent of the total development cost.

Developer Fee

The base developer fee for SFTC applications shall be limited to 10% of the total estimated Development Costs (less the developer fee) for a Qualified Project. Developer fees will be locked in at application and may not increase.

Soft Cost Contingency

The maximum soft cost contingency is 3% of professional soft costs, exclusive of the soft cost contingency.

Analysis of SFTC Calculation

OHFA shall allocate no more in SFTC than necessary to ensure the project's financial feasibility. In determining financial feasibility and SFTC amounts, OHFA will review the sources and uses of funds and the total financing planned for the project, Capital Asset Contributions used for project costs, other than the cost of intermediaries, and the reasonableness of the development and operational costs of the project.

Analysis of the Development Financing (Sources)

All Sources Identified

Applicants and owners must include financial commitment documentation for all non-OHFA sources of debt and equity in place at the time of application. These sources may include, but are not limited to, SFTC equity, hard debt, gap financing, seller financing, soft or non-recourse loans, grants, Capital Asset Contributions, Development Team contributions, and interest during construction. At the time of application, financial commitments must be submitted for at least 51% of the total project cost. All commitments must be dated no more than six months prior to the application submission date. At the time of the Development Update Submission, firm commitments for 100% of financial sources must be provided.

Single Family Tax Credit Equity Commitment

OHFA will evaluate the conditional equity commitment provided by the syndicator/investor at the application submittal or Development Update Submission, as applicable. Conditional equity commitments must include:

- Gross and Net equity amount and pricing;
- Proposed terms and conditions; and
- Detailed equity installment schedule, including pay-ins during construction.

Debt Financing

OHFA will evaluate all funding source terms and may choose to underwrite at different terms for any funding source which OHFA determines will cause unnecessary or excessive subsidy.

Other Sources of Funding

- Assumed or Restructured Debt: The applicant must provide supporting documentation detailing the terms and conditions of any assumed or restructured debt including the current outstanding balance and the projected outstanding balance at equity closing.
- Competitive Sources: Any source of funds that is not at least conditionally committed will not be considered.
- Other Public Funds: The applicant must submit a preliminary award letter reserving the funds that includes the anticipated term, amortization (if applicable), rate, fees or specify that the funds will be a grant.

Analysis of Pricing and Market Demand

Pricing

The purchase price of the unit of single-family dwelling in the project cannot exceed the affordability requirements for Qualified Homebuyers as defined in the 2024 Single Family Tax Credit Allocation Plan. Verification of home prices can be achieved by an appraisal supporting the process prices, sales contracts, or other documentation/commitments OHFA determines are reliable in its discretion. The sum of estimated home sales, plus tax credit equity and other construction financing sources must be sufficient to pay off the construction loan balance, after the final unit of single-family dwelling is sold.

Market Demand

The application must sufficiently demonstrate a market demand of the project at proposed pricing levels. The application must demonstrate market demand for the project by citing average home prices, average time to sell a house in the market, or similar information. Formal independent market studies are not required but can be used to provide evidence of demand. OHFA will accept housing data provided by an Ohio Board of Realtors and/or the Ohio Association of Realtors to assess market demand.

C. Underwriting Exception Requests

Underwriting exception requests, as acknowledged in Chapter 175-12-3 of the Ohio Administrative Code stated in its entirety below, must be submitted with the application. Limited exceptions to the underwriting criteria may be granted for good cause shown and supported by sufficient evidence. It is the discretion of the director to review and grant underwriting exceptions. Exceptions will be considered per the applicable administrative rules and/or SFTC Allocation Plan.