

Ohio Single Family Tax Credit

Public Forum
September 27, 2023



Allocation Plan and Administrative Rules Calendar

Date	Benchmark
September 20, 2023	<ul style="list-style-type: none"> • Program Guideline Discussion with Single Family Committee • First Public Comment Period Starts (Rules and Initial Guidelines)
September 27, 2023	Program Public Forum and Rules Workshop
September 29, 2023	First Public Comment Period Ends
October 18, 2023	<ul style="list-style-type: none"> • Draft Allocation Plan and Administrative Rules Presented to Single Family Committee and Board • Drafts posted for Second Public Comment Period
October 25, 2023	Allocation Plan and Administrative Rules Public Hearing
October 26, 2023	Second Public Comment Period Ends
November 9, 2023	Updated Draft of the Allocation Plan Posted
November 15, 2023	Draft Allocation Plan and Administrative Rules Presented to Single Family Committee and Board for Approval

Plan and Rules Structure

- Allocation Plan
 - Appendix A – Definitions (**Administrative Rule**)
 - Appendix B – Underwriting Guidelines (**Administrative Rule**)
 - Appendix C – Affordability Period Guidelines (**Administrative Rule**)

Statutory Program Overview

OHFA may reserve up to **\$50 million of credit [10 –year credit amounts] in each of four fiscal years**, plus unused amounts carried forward from prior years.

There may be no reservations **after June 30, 2027**.

The director shall determine the credit amount reserved for each qualified project, which **shall not exceed the difference between the total estimated development costs included with the application and the appraised market value of all homes in the finished project**, as estimated by the director.

Key Program Definitions

Affordability period

The period that commences on the date of sale of a single-family dwelling constructed as part of a qualified project to the initial qualified buyer and continues through subsequent qualified buyers for 10 years.

Credit period

The 10-year period that begins in the year the eligibility certificate is issued.

Project development owner

A unit of government that owns a qualified project.

Unit of government

A county, township, municipal corporation, regional planning commission, community improvement corporation, economic development corporation, or county land reutilization corporation organized under Chapter 1724. of the Revised Code, or port authority.

Sample Tax Credit Calculations

Credit Calculation Example			
Value Exceeds Costs			
# of Homes:	5		
Cost per house:	\$ 250,000		
Total Cost	\$ 1,250,000		
Estimated Value per house:	\$ 300,000		
Total value of all homes	\$ 1,500,000		
Difference:	\$ 250,000		
Maxi.Credit reservation:	\$ 250,000		
Construction Sources:			
Construction Loan:	\$ 1,212,500	97%	
OSFTC equity:	\$ 125,000	10%	
Total Sources:	\$ 1,337,500		
Total Costs:	\$ 1,250,000		
Unsubsidized sales price:	\$ 242,500		

Proposed Program Calendar

Date	Applicant Benchmark	OHFA Benchmark
January 2024		Application posted to OHFA website
March 2024	Applications Due	
April 2024		Review Period Begins
		Notice of Preliminary Scores and Underwriting Issues Sent to Applicants
	Responses Due to Preliminary Scores and Underwriting issues	
May 2024		Final Results of Reservations Presented to the OHFA Board
October 2024	Development Update due to OHFA	
December 31, 2025	Deadline for 2024 Awardees to Report Construction Complete and Homes Sold	

Proposed Definitions

OHFA will propose definitions for the following terms as part of the rule making process. A pdf of the proposed definitions can be found on OHFA's website.

Term	Definition
Single Family Dwelling	(a) fully detached residential unit or (b) multi-unit owner occupied residential units (including duplexes, triplexes, fourplexes, row houses, townhouses, and multi-story condominiums), provided that any such dwelling is the primary residence of the Qualified Buyer.
Qualified Buyer	A person (as such term is defined in R.C. 175.17(A)(6)) who (1) has a verified income at 80% to 120% of the AMI, (2) who has obtained a pre-approval letter from a permanent lender demonstrating that such Person is qualified for a Mortgage, (3) has attended homebuyer education, and (4) is a First Time Home Buyer.
Development Team	a consortium or partnership of entities formed by the Lead Applicant to develop a project. The team must include at a minimum: a housing developer if the development services are not being managed directly by the Lead Applicant, Building Contractor; a third-party Appraiser; a Housing Counseling Agency if the Lead Applicant does not provide these services; Construction Lender, if applicable; and syndicator and/or direct investor(s) for the OSFTC.

Proposed Definitions

Term	Definition
Qualified Project (Central City & Metro/Suburban)	a minimum of twenty (20) (a) Single Family Dwellings to be constructed or (b) unoccupied structure to be renovated into habitability.
Qualified Project (Rural)	a minimum and maximum of five (5) (a) Single Family Dwellings to be constructed or (b) unoccupied structure to be renovated into habitability
Maximum Credit Award Per Project	the 10-year credit amount reserved to a project shall not exceed the lower of \$500,000 or the difference between the total estimated costs of the project and the total estimated value of the homes in the project.

General Plan Items for Discussion

- **Competitive Criteria**

- Should more weight be given to Experience and Capacity of the development team and ability to build and sell homes prior to the deadline for the first round?
- Structure
- Allocation Pools
 - Separate criteria for each pool
- Accessibility
- Energy conservation and Green building standards
- Geographic and site selection criteria (adjust 9% LIHTC for single family construction)
- How to compare needs of communities for single family home demand?

Proposed Building Guidelines

Design Standards

- At least two bedrooms
- At least 1.5 Bathrooms

Architectural Design Standards

- Requesting Feedback on design standards
- Provide warranties that are transferrable to future owners and are warranted for two years from closing (HVAC, electrical, and plumbing systems)
- Structural elements of the home are warranted for ten years from closing

Proposed Underwriting Guidelines & Project Eligibility

Project Eligibility

Total cost of each house in a project must not exceed OHFA Homebuyer Program purchase prices limit for the county

Sum of estimated home sales plus tax credit equity and other construction financing must be sufficient to pay off the construction loan balance (after the final home is sold)

What should be the manner of determining the project's development costs and the appraised market value of qualified project single-family dwellings?

Proposed Underwriting Guidelines & Project Eligibility

Ineligible Projects

Development Team does not meet the minimum Experience and Capacity requirements

Purchase price of the houses exceed the affordability for qualified homebuyers

Construction financing sources conditionally committed are less than 75% of the total project cost

Lead applicant is unable to demonstrate a construction loan from a private lender can be repaid, if needed

Application does not demonstrate market need for the houses

Marketing plan does not meet the minimum requirements outlined in the guidelines

Proposed Underwriting Guidelines & Project Eligibility

Program Fees

Contractor costs 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 expenses, storage trailers, portable restrooms, temporary utilities, and dumpsters*

Developer fee is included in the project cost and may not exceed \$10,000 per house

Proposed Underwriting Guidelines & Project Eligibility

Development Team Eligibility

Experience with similar housing programs

One or more members of the Development Team have successfully placed **at least one housing project** (for-sale home or rental) in service in Ohio within the last 10 years

**Preference will be given to applications with a member of the Development Team has built a comparable project in the same county within the past ten (10) years*

Development Team must have the following core competencies:

- a) Capacity to construct and operate the proposed project;
- b) Record of completing affordable housing developments in required timeframes;
- c) Record of meeting project deadlines set by OHFA (if applicable); and
- d) Experience marketing and selling affordable housing units.

Proposed Underwriting Guidelines & Project Eligibility

Construction Guidelines

Builder must be identified at the time of application

OHFA will monitor construction of the houses

Lead applicants must complete and provide copies of Phase Environmental Assessments for all sites and all building permits needed

75% of construction must be committed at the time of application or at the time of the Development Update

- Includes the conditional commitment from the syndicator or direct investor

**Preference will be given to applications with a greater percentages of sources committed*

What should the criteria be by which a project development owner shall be responsible for any or all risk associated with a qualified project such as homeowner abandonment, default, foreclosure, or other such risks?

Proposed Underwriting Guidelines & Project Eligibility

Home Sales Risk

All applications must demonstrate there is market demand for the project, data to be considered may include:

- Average home prices
- Average time homes are on the market

**Independent market studies are not required but can be used to provide evidence of demand*

Applications must include a Marketing Plan that meets the minimum requirements outlined in the guidelines

Should OHFA limit the number of homes in a project to start construction without a contract with a Qualified buyer?

Affordability Period Compliance Items for Discussion

- **Required Agreements/deed restrictions**
 - Who should be party to such agreements/deed restrictions (for example, only the Project Development Owner and purchaser or does OHFA have a role?)
- **Shared Appreciation Mortgage**
 - If used to secure the OSFTC, should the amount of the mortgage be the amount of the tax credit or the amount of the tax credit equity?
 - Should the mortgage amount be repaid to OHFA upon sale of the home or should the subsidy and mortgage be assumed by the next Qualified Buyer? If so, is the term of the mortgage extended for another 10 years?
- **Qualified Buyers**
 - What information is needed to ensure that purchasers during the affordability period are Qualified Buyers under the statute? Who will verify that a purchaser meets the requirements for a Qualified Buyer?
- **Compliance Monitoring**
 - Should compliance monitoring should be done by the Project Development Owner and OHFA during the affordability period?

Thank you!

- Written comments will be accepted until **5 p.m. on September 29, 2023**. Comments may be submitted to: singlefamilytaxcredit@ohiohome.org