

Second Addendum to the 2020-2021 Qualified Allocation Plan

Additional Credit Policy for Construction Cost Increases

Published ~~June 9, 2021~~ January 12, 2022

Approved by Multifamily Committee ~~June 9, 2021~~: TBD

Approved by OHFA Board ~~June 16, 2021~~: TBD

Additional Tax Credit (LIHTC) Allocations and Housing Development Loan (HDL) Funding for ~~2019 and 2020~~ 2021 9% LIHTC Awards

Introduction:

~~Following construction material and labor cost increases in 2021, OHFA has set aside HDL funding and up to \$4-1.5 million of 9% LIHTCs for 2019 and 2020-2021 Competitive Awards facing a funding gaps, specifically due to increases in hard construction costs related to increased material and supply costs.~~ Additional funding awards will be made on a first come, first served basis. Applicants must send requests and required documentation to ConstructionMonitoring@ohiohome.org. The email receipt timestamp will determine the order.

~~FHAct50 projects awarded 2019 and 2020 are eligible.~~ Projects that have already Placed in Service are ineligible for additional LIHTCs, ~~and HDLs are only available for projects that have not yet closed.~~

Deadline:

~~2019 and 2020~~ 2021 Competitive Awardees may submit requests ~~no later than December 31, 2021, on a first come, first served basis until allocated funds are committed.~~

How to request additional LIHTCs:

Requests must include all of the documentation below.

Owners may request up to \$100,000* in additional LIHTCs and up to \$1 million in additional HDL funding. The total amount of developer fee may not increase and an additional 10% of developer fee must be deferred, provided it can still be paid off in 15 years. Under no circumstances may the deferred fee decrease from what was included in the proposal application submitted to OHFA.

Documentation required for submission:

1. Reservation Fee

OHFA will charge a Reservation Fee equal to 10% of the additional LIHTC request (\$5,000 for \$50,000).

2. Copy of check or ACH payment for the Reservation Fee.

3. Updated Affordable Housing Funding Application (AHFA) tabs:

- Project Details
 - Budget and Costs
 - Housing Credits
 - Cash Flow
 - Developer Fee
4. Finalized construction bid(s).
 5. Final equity commitment letter(s) reflecting the additional LIHTC amount and/or additional HDL.
 6. **Formal Request Memo and Narrative**

The following information must be included in a narrative request:

1. **Formal Request:** A formal request for the increase, including a specific amount of additional tax LIHTCs and/or HDL and a statement certifying the additional funding being requested only covers increases in hard construction costs.
2. **Funding Gap Details:** Applicant must detail the current funding gap based on the original LIHTC award, updated development costs, and updated non-LIHTC sources. Describe attempts to increase equity pricing from the submitted core application, increase loan amounts, and/or secure other sources of funding.
3. **Uses Update:** Note the changes (\$) in the Total Construction Hard Costs and Total Developments costs as compared to the original application submission, a detailed breakdown of the Hard Construction Cost increases and narrative explanation of the cause(s).
4. **Sources Update:** Detail the change in Sources of Funds. How much additional funding has been raised since initial application to fund the cost increases?
 - non-LIHTC sources that have increased since initial application
 - increased equity based off the original award
5. **Timeline to Closing:** The projected timeline to closing and construction commencement (if closing/commencement has not yet occurred).

Ramifications for the 2022 or 2023 9% Competitive Round:

For each additional \$1 of LIHTC awarded, the applicable *Development Team* LIHTC award limit will be reduced by 1.5X in the upcoming 2022-2023 9% Competitive Round, or 2023-2024 for those not applying next year. “Development Team” means the General Partner, Developer, Consultant Principal(s) thereof and any Project Team member holding a 20% or greater interest in the Developer or General Partner entities. Development teams already allocated additional LIHTC under the first addendum may elect to defer the award limit deduction until 2023 or divide the reduction over 2022 and 2023 rounds.

The reduction will not be pro-rated based off percentage interest in each entity and will be applied equally to each Project Team member’s limits. For example, an additional \$100,000 will reduce the Project Team’s award limitations by \$150,000 (a credit award limitation of \$2,500,000 would go down to \$2,350,000). There are no negative points or score ramifications.

~~*OHFA will consider requests in excess of \$100,000, but if approved, the Development Team must forego their ability to compete in the 2022 9% competitive round.~~