Ohio Housing Finance Agency

Multifamily Rental Underwriting Guidelines

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A. Multifamily Underwriting Introduction

Purpose

The Ohio Housing Finance Agency's (OHFA's) Office of Multifamily Housing assists in the creation of affordable rental housing in Ohio through the administration of the federal Low-Income Housing Tax Credit (LIHTC) program and other financing sources. These underwriting guidelines were developed to meet the federal LIHTC statutory underwriting requirements as set forth in **26 U.S.C. § 42(m)(2)** and regulatory underwriting requirements referenced in **26 C.F.R. § 1.42-17(a)(3)-(4)** while implementing industry standards to ensure financially-feasible LIHTC rental properties over the 30-year extended use period. If coupling LIHTC with other federal and state gap financing resources such as HOME Investment Partnerships Program (HOME), National Housing Trust Fund (NHTF), and/or Ohio Housing Trust Fund (OHTF), these standards must be overlayed with the applicable programmatic guidelines.

Further, these underwriting guidelines apply to all programs administered through the Office of Multifamily Housing at OHFA, including the Housing Development Gap Financing (HDGF) program and Multifamily Lending Program (MLP), unless different—or possibly additional—guidelines are set forth in those program Guidelines.

Applicability

OHFA will perform financial underwriting analysis on all multifamily affordable rental housing applications to ensure compliance with federal LIHTC and state financing requirements. The Agency may request further clarification, justification, or documentation for any questions that are identified during the underwriting analysis. While OHFA maintains the right to adjust standards to address program requirements, applicants can expect guidelines to be applied consistently and predictably across programs. OHFA may reduce, alter, or remove items that do not meet the underwriting standards contained in these Guidelines. Any prior decision, determination or exception approval shall not be considered precedent.

These Guidelines will apply to any application submitted on or after January 1, 2026. For applications submitted prior to this date, OHFA will apply the guidelines in effect at the time of application. The Guidelines may be subject to change, pending developments in federal and/or state legislative requirements and/or OHFA policy.

Underwriting Process

OHFA conducts underwriting and financial feasibility reviews consistent with **26 U.S.C. §42(m)(2)** and **26 C.F.R. §1.42-17(a)(4)(i)**. These reviews ensure no more Housing Tax Credit is allocated than is necessary to make a project financially feasible and viable as a qualified low-income housing development. In making this determination, OHFA evaluates the project's sources and uses of funds, total financing structure, reasonableness of development and operating costs, and any proceeds or receipts generated by reason of tax benefits, including the percentage of Credit used for project costs other than intermediary fees.

Unless a program's specific guidelines impose stricter requirements, these Underwriting Guidelines apply across all 9% LIHTC, 4% LIHTC, and OHFA gap financing programs. Program-specific underwriting stages are summarized below and detailed in the subsections that follow.

Program	Underwriting Stages	Additional Requirements
9% LIHTC	1. At Proposal Application submission to determine if they are eligible for competitive review; 2. At Final Application prior to issuing a Carryover Allocation Agreement; and 3. At the time the development is placed-in-service and requests Internal Revenue Service (IRS) Form(s) 8609	Such developments must also meet all requirements outlined in the current 9% LIHTC Qualified Allocation Plan (QAP) at the time of proposal application. All terms capitalized in this section and not otherwise defined will have the same meaning as that defined in the most recently published 9% LIHTC QAP.
4% LIHTC	1. At Final Application prior to issuing a 42(m) Letter of Eligibility for LIHTC; and 2. At the time the development is placed-in-service and requests Internal Revenue Service (IRS) Form(s) 8609.	Such developments must also meet all requirements outlined in the current 4% LIHTC QAP at the time of the initial/proposal application. All terms capitalized in this section and not otherwise defined will have the same meaning as that defined in the current 4% LIHTC QAP at the time of the initial/proposal application. Further, additional underwriting reviews may be required for those seeking gap financing. Developments seeking gap financing, must refer to the applicable program Guidelines.
Housing Development Gap Financing (HDGF)	As detailed in the current HDGF Guidelines at the time of the proposal application.	Such developments must also meet all requirements outlined in the current guidelines at the time of the proposal application . All terms capitalized in this section and not otherwise defined will have the same meaning as that defined in the guidelines.

Preserved Affordability – Rent and Income Restrictions

For preserved affordability developments, prior rent and income restrictions must be maintained until the existing land use restrictive agreements (LURA)/restrictive covenant (RC) expires. Applicants must demonstrate financial feasibility under the existing restrictions as part of the recapitalization underwriting process.

OHFA reserves discretion to review exceptions only in cases where maintaining prior restrictions would jeopardize long-term project viability.

B. Underwriting Standards

Analysis of Project Income

Annual Income Escalation Assumption
OHFA will assume a 2% annual residential income increase to project whether the development will be in compliance with Debt Service Coverage Ratio (DSCR), income-to-expense ratio, and deferred developer fee repayment standards over the compliance period.

Rental Income Analysis
OHFA will compare the project's proposed rents to the achievable LIHTC rents, maximum LIHTC rents, and comparable market rents from a market study meeting the Market Study Standards referenced in Appendix B to conclude reasonable rental income. Tenant-paid gross rents cannot exceed and must be set at the lower of the maximum allowable LIHTC Rents or the achievable LIHTC rents as shown in the Market Study.

Project-Based Rental Subsidy

Project-Based Rental Subsidy: Budgeted rents in the AHFA must match the executed or conditionally approved subsidy documentation submitted with the application (see "Rental Subsidy Contracts" in the applicable QAP and/or program guidelines. Acceptable documentation may include a formal contract, comfort letter, or email from the entity providing the subsidy (e.g., HUD, local PHA) and must clearly detail the approved contract rents or subsidy amounts.

HUD Mark-Up-to-Market: OHFA will underwrite to the approved contract rents as documented in the rental subsidy agreement. Tenant contributions remain limited to 30% of household income. Acceptable documentation may include a formal contract, comfort letter, or email from the entity providing the subsidy and must clearly detail the approved contract rents or subsidy amounts.

USDA Rural Development (e.g., Section 515 or 538 programs): OHFA will underwrite to RD-approved Basic Rents or Note Rents as reflected in the property's rental assistance agreement or other official RD documentation. Tenant contributions remain limited to 30% of household income. Acceptable documentation may include a formal contract, comfort letter, or email from the entity providing the subsidy and must clearly detail the approved contract rents or subsidy amounts.

Insufficient Documentation: OHFA will underwrite to the achievable LIHTC rents identified in the Market Study for the respective income restrictions until acceptable documentation is provided.

Subsidy Layering Review
OHFA is designated to perform Subsidy Layering Reviews (SLR) on projects that propose to use new Section 8 Project Based Voucher (PBV) Housing Assistance Payments with housing credits. See the OHFA SLR Guidelines for details.

Commercial Income
Income from commercial space, including cellphone towers, will not count in the cash flow analysis toward meeting either Hard Debt Service Coverage Ratio (DSCR) or non-DSCR requirements.

Vacancy
OHFA will assume a 7% vacancy rate beginning with the first stabilized year to calculate the effective gross income. OHFA may assume a 5% vacancy rate at stabilization only if:

- The development (new construction or rehab) has project-based rental subsidy on at least 70% of the total units and the Market Study supports lower stabilized vacancy; and
- OHFA may request additional support and reserves the right to re-set vacancy to 7% if documentation is insufficient.

Tenant Utility Allowances

In accordance with **26 U.S.C. § 42(g)(2)(B)(ii)** and **26 C.F.R. § 1.42-10**, gross rent for LIHTC projects must be reduced by a utility allowance if the cost of any utility (other than telephone, cable television, or internet) is to be paid directly by the tenants. All utility allowances must conform to **OHFA's Utility Allowance Request Procedure.**

Applicants seeking HOME funds may use the PHA utility allowance to be used for HOME units in addition to the HUD's Utility Schedule Model, estimates, and an engineer's consumption model for HOME units.

Projects that include all owner-paid utilities do not need to submit an utility allowance.

Other Income

Fees and other income such as laundry, pet deposits, and parking must be reasonable and comparable to similar properties within the region and the developer's portfolio. If fees and other income above $150 per unit per year is projected, the income must be supported by existing financial audits from the property, similar properties, or third-party documentation. OHFA may request justification for any fees that appear unreasonable.

Analysis of Project Expenses

Annual Operating Expense Escalation Assumption

OHFA will assume a 3% annual expense increase to project whether the development will be in compliance with DSCR, income-to-expense ratio, and deferred developer fee repayment standards.

Operating Expense Reasonableness

OHFA compares application expenses to recent peer properties (by building type, population, 4%/9%, and location) using the most recent **Operating Expense Calculator**, audited financials for existing properties, and other relevant datasets.

OHFA may request detail where line items diverge materially from peers and may adjust underwriting if total controllable operating expenses are greater than 15% above or below the peer average.

Developments will be subject to any additional expense requirements imposed by the specific program to which the application is made.

Service Coordination Expenses and Fees

Service coordination or supportive services expenses and fees will be limited to $350 per unit per year. As long as all other underwriting requirements are met, OHFA may grant exceptions to Service Enriched developments (including integrated permanent supportive housing), senior developments, or developments that must have a higher service coordination fee based on a federal program requirement when the applicant provides documentation from the federal agency or office detailing the requirement

Syndicator Expenses

Reasonable Investor/syndicator asset management fees will be permitted as either a capitalized development cost or a "soft" operating expense repaid from available cash flow, after amortizing permanent mortgages before deferred developer fee and soft loan repayments. OHFA may request documentation (e.g. syndicators' standard fees) to substantiate reasonableness.

Analysis of the Development Budget (Uses)

Cost Reasonableness

OHFA will evaluate development cost reasonableness per the applicable QAP 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.

Building Acquisition and Land Costs (for Preserved Affordability or Adaptive Reuse Only)

OHFA will determine the allowable acquisition basis by subtracting the land valuation identified in the as-is appraisal submitted at application from the total property valuation or the purchase price, whichever is less.

If the total purchase price is less than the total property valuation, OHFA will apply the same land-to-total value ratio identified in the appraisal to the purchase price to determine the allowable acquisition basis.

The as-is valuation, or the as-is restricted valuation if the property is subject to existing rent or use restrictions, will be used to establish the maximum allowable property valuation. Total acquisition costs may not exceed this as-is (or as-is restricted) valuation.

Land Lease Option Agreements (Land Leases)

Counties, townships, or municipal or non-profit corporations that are exempt from property taxation under the Ohio Revised Code and intend to lease the property on a long-term basis must provide a land lease option agreement with a minimum term of 35 years. The agreement must clearly identify the lessor, lessee, lease term, renewal options (if applicable), and the leasehold interest to be conveyed to the ownership entity.

Hard Construction Costs

Hard Construction Costs include the following line items found in the Agency's template proforma, the Affordable Housing Funding Application (AHFA): Demolition, On-Site Improvements, Hard Construction (Residential New Const.), Hard Construction (Residential Rehab.), Hard Construction (Commercial), Hard Construction (Amenity Fee Items), Construction Contingency, and Furniture, Fixtures & Equipment.

Rehabilitation Minimum Hard Construction Costs

OHFA has established a minimum hard construction cost per unit standard for rehabilitation projects which will be adjusted to the **Multifamily Residential Construction Index** annually and released with the applicable QAP or when cost containment standards are released. In 2026, there will be a minimum per unit of $60,000.

Projects unable to meet the $60,000 minimum hard construction cost per unit may submit an exception request outlining how the project meets the level of rehab definition outlined in the Design and Architectural Standards, the identified needs of the Physical Capital Needs Assessment (PCNA), but not the minimum per unit amount.

Please Note: A QAP (e.g. 9% LIHTC QAP) or program guidelines (e.g. Bond Gap Financing) for competitive resources may include a set minimum hard construction cost per unit.

Hard Construction Cost Contingency

The maximum Hard Construction cost contingency is limited to a percentage of Hard Construction Costs net of the Construction Contingency based on the following construction types: 5% for new construction,10% for rehabilitation, and 15% for adaptive reuse. Projects that have blended construction types may contact OHFA for additional guidance.

The minimum Hard Construction cost contingency is limited to a percentage of Hard Construction Costs net of the Construction Contingency based on the following construction types: 2.5% for new construction, 5% for rehabilitation, and 7.5% for adaptive reuse. Projects that have blended construction types may contact OHFA for additional guidance.

OHFA may allow exceptions to these limits if the applicant can prove that another funding source requires a lower or higher contingency. The requirement must be shown in a commitment letter from that funding source.

Contractor Fee and Cost Limits

The maximum contractor cost limits are the following percent of Hard Construction Costs:

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

Related-party contracts must disclose all profit margins and will be subject to enhanced OHFA review.

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

OHFA will consider reasonable adjustments to these requirements, not to exceed 14%, across general requirements, overhead, and profit, for contractors that are not related parties.

General Contractor Cost Savings

If the final general contractor cost certification identifies savings, OHFA will divide such amounts 50%/50% between it and the developer for related-party contractor entities and 67% to developers for third-party contractors.

OHFA may take its share in any one or more of the following ways.

- Reducing the development's Housing Development Assistance Program (HDAP) award, if applicable
- Reducing the project's LIHTC allocation
- Supplementing reserves
- Achieving deeper income targeting
- Upgrading specific items in the project, or
- Pre-paying Housing Development Loan (HDL) and/or Multifamily Lending Program (MLP) debt, if applicable

Owners must contact OHFA prior to requesting IRS Form(s) 8609 or completing their Final Performance Report (HDAP only) regarding the above options.

Professional Soft Costs Definition & Limits

Professional Soft Costs are defined in the Agency's AHFA as the following: Survey(s) Costs, Architectural Fees, Engineering Fees, Appraisal, Market Study, Environmental Report, Title & Recording, Rent-up Costs/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.

Total professional soft cost may not exceed 25 percent of the project's total development cost.

Syndication costs and guarantee fees must be disclosed separately and may be subject to additional limits.

Developer Fee

Maximum developer fees are as defined in the applicable QAP/program guidelines Applicants must show that any deferred developer fee is fully payable from project cash flow within the first 15 years. Any unpaid balance after year 15, must convert to a capital contribution if it is stated in the developer fee commitment letter. Any unpaid or deferred balance after year 15 that is not automatically transitioned to a capital contribution will be deducted from the LIHTC eligible basis, which may reduce the LIHTC allocation.

Developer fees may not increase after proposal application (9% LIHTC) or final application (other programs).

Soft Cost Contingency

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

Capitalized Operating Reserves

The minimum Operating Reserve for a development is 4 months of the first stabilized year's projected operating expenses, hard debt service payments, and replacement reserve contributions. The maximum is 12 months of the same.

Capitalized Replacement Reserves

Capitalized Replacement Reserves are not permitted for new construction developments, except for adaptive reuse developments and single-family development properties intended for eventual tenant ownership.

Lease-purchase properties: The applicant must commit to capitalize a prefunded replacement reserve in the amount of $2,500 per unit set aside in an escrow account and matched over 15 years. The funds (a minimum of $5,000 per unit) must be used to either provide down-payment assistance or assistance with closing costs. The Escrow Account must be maintained as a separate account on the LIHTC ownership's financial statements and may not be accessed without prior written approval from OHFA. Applicants must submit evidence of sources of financing for the transition funds, including, but not limited to: general partner or managing member capital contributions, private and/or foundation funding, etc. The applicant must provide firm commitment letters which indicate the funding is to be used for the development. An independent Ohio licensed housing inspector must complete an inspection before reserves can be accessed.

Ongoing Replacement Reserve Contributions

OHFA's minimum replacement reserve amounts by product type are as follows; the below distinctions are based on population served and construction type, not by funding pool:

- Senior, New Construction = $315 per unit per year
- General Occupancy, New Construction = $420 per unit per year
- Single Family Homes = $420 per unit per year
- Senior, Rehabilitation = $365 per unit per year
- General Occupancy, Rehabilitation = $445 per unit per year

Service-Enriched and projects under Tenant Populations with Special Housing Needs must use the General Occupancy standards.

Projects that have blended construction types may contact OHFA for additional guidance.

HOME and FHA-Risk Share projects must follow HUD requirements, if stricter.

Special Reserves

OHFA will permit special reserves when required by HUD or USDA Rural Development, but only to the extent specified in the financial commitment letter provided by the funding source.

OHFA will allow special reserves for single-family developments for wheelchair lifts as an alternative to ramp requirements under accessibility criteria.

Analysis of LIHTC Calculation

Codified Basis Boost

In accordance with 26 U.S.C. §42(d)(5)(B), buildings located in Qualified Census Tracts (QCT) or Difficult Development Areas (DDA) are statutorily eligible for an increase in eligible basis of up to 130%. Such designations are typically determined by HUD in October of the prior year in which such buildings are eligible. To determine if a building is located in a QCT or DDA, visit HUD's Office of Policy Development and Research (PD&R) Web site here.

Discretionary Basis Boost (9% LIHTC Only)

In accordance with 26 U.S.C. § 42(d)(5)(B)(v), state housing credit agencies may allow for buildings to be considered located in a DDA and therefore eligible for an increase in eligible basis of up to 130% if needed for such buildings to be financially feasible as part of a qualified 9% LIHTC project. Buildings that are part of a 4% LIHTC transaction are federally prohibited from receiving a discretionary basis boost. Please refer to the project's applicable 9% QAP to learn more about the discretionary basis boost policy.

9% LIHTC Only Calculation

The LIHTC amount reserved will not increase after the Proposal Application underwriting for 9% LIHTC applications. OHFA may require a legal opinion from a qualified tax credit attorney, at the applicant's expense, for any items that do not clearly count as eligible basis.

Analysis of the Development Financing (Sources)

All Sources Identified

Applicants and owners must identify all funding sources, including LIHTC equity, hard debt, gap financing, seller financing, soft or non-recourse loans, grants, development team contributions, interest during construction and reserves used to fund development. Applications must include commitment letters for all non-OHFA sources, and these must match the terms specified in the AHFA. All commitments must be fully executed and dated within 60 days of the application.

Conditional financial commitments must be evidenced by a letter from the funding entity stating the following:

- Up to Loan or grant amount;
- Loan term and amortization schedule/term (and/or payment requirements);
- Interest rate;
- Fees associated with the loan or grant;
- Reserve requirements; and
- Lien position of the loan.

The applicant must provide supporting documentation detailing the terms and conditions of any assumed or restructured debt including the current outstanding balance.

Competitive sources that have not been conditionally committed do not meet OHFA requirements. OHFA will allow the condition of being awarded tax credits. Applicants submitting a competitive source that is not conditionally committed will be considered to have a funding gap and the application will be rejected.

Federal LIHTC and/or Ohio LIHTC Equity Commitment

OHFA will evaluate the conditional equity commitment provided by the syndicator/investor when required in the guidelines. Conditional equity commitments must include the following:

- Project Name, Address
- GP Name
- Ownership Interest of the GP
- LIHTC Allocation Amount
- Gross and net equity amount and pricing;
- Proposed terms and conditions;

- Detailed equity installment schedule, including pay-ins during construction;
- If seeking HDL, the additional requirements as listed in the current **HDL Guidelines** at the time of initial/proposal application submission

OHFA will review pricing assumptions against national equity trends and/or other applications. OHFA may request verification the pricing is firm, or request the applicant to demonstrate the project remains feasible if the pricing reverts to the national trend..

If a syndicator/investor is providing equity for more than one type of credit, each type of credits terms, conditions and pay in schedule must be listed separately.

As a construction source, OHFA will consider equity installments beginning at financial closing and continuing up to, but not including, the 100% Construction Completion installment. Subsequent equity installments—such as those tied to stabilized occupancy or delivery of IRS Form 8609s—will be treated as permanent sources within the overall development funding structure.

Federal Historic Tax Credits (FHTC)

Developers seeking FHTC must see applicable Qualified Allocation Plan (QAP) and program guidelines for proposal application requirements.

If the project receives an OHFA reservation or is invited to submit a final application and has an approved Historic Part 1, the developer must submit the following with the final application:

- An approved Historic Part 1 from SHPO.
- A copy of the submitted Historic Part 2 application.

A SHPO Part 2 application approval must be submitted prior to closing.

Please Note: The Scope of Work, DCF, and applicable Design Exception Request(s) that are consistent with the Historic Part 1’s Description of Physical Appearance, outlining the project’s historic features must be submitted.

Solar Investment Tax Credits

Project with Solar Investment Tax Credits must submit both of the following:

- A letter from their solar provider with a detail of the eligible costs and a calculation of the eligible basis.
- An Equity Commitment with a detailed equity installment schedule, including pay-ins during construction.

Other Tax Credits

Projects with other non-OHFA allocated credits, not detailed above, must send the following:

- Documentation, such as an allocation agreement, from the administrating entity showing the total credit amount and type of credit, and
- A conditional equity commitment letter from the syndicator with the proposed terms and conditions and a detailed equity installment schedule.

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. For FHA-Risk Share or HOME-funded projects, OHFA will apply the stricter of federal or state underwriting standards.

Applications must include conditional financial commitments for all debt sources and evidence of current balances for all assumed debt.

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.

- Assumed reserves: The applicant must provide supporting documentation of any assumed reserves including the current outstanding balance and the projected outstanding balance at equity closing. Applicants must also provide documentation of lender or investor consent to transfer reserves, as applicable.
- HOME Investment Partnerships Program (HOME) and other federal and/or local funds not administered by OHFA: The applicant must submit a preliminary award letter or commitment letter reserving the exact amount of funds that includes the anticipated term, amortization, rate, fees or specify that the funds will be a grant.
- Tax abatement: If a property tax abatement is proposed, the applicant must provide supporting documentation of the eligible tax abatement (e.g., municipal guidelines for the tax abatement program). Furthermore, the project shall submit details on how the projected abatement amount was derived. If the property has an approved tax abatement, proof (e.g., legislative approval, or meeting minutes) shall be submitted. The term and percentage of the abatement must be clearly reflected in the development budget and operating pro forma. If final approval is pending, the applicant must describe the anticipated approval process and timeline.
- Anticipated, but unsecured competitive sources: Any source of funds that is not at least conditionally committed will not be considered and the project will be shown as having a financial gap and will be removed from consideration.

Related-Party Acquisitions

OHFA's policy objective is to be good stewards of limited OHFA resources (9% LIHTC, Ohio LIHTC, HDAP (OHTF, NHTF, HOME, etc.), HDGF) by ensuring related party acquisitions are not a source of undue profit for a development team. (Note: This is not applicable to 4% LIHTC only projects.) If a proposed project includes acquisition costs stemming from the purchase of land or buildings owned by a related party of the development team, the applicant must submit documentation demonstrating adherence to the following conditions:

Undue Profit to a Related-Party Seller

- No undue profit to a related-party seller is permitted.
- Undue profit is defined as any acquisition payment to a Related Party that exceeds:
  - verified debt payoff,
  - documented eligible holding costs, and
  - third-party documented transaction costs.
- For related-party acquisitions, OHFA will limit the allowable acquisition cost to the lesser of:
  - the purchase price, or
  - the as-is appraised value as determined by a third-party appraisal acceptable to OHFA.
- If the property is subject to existing rent or use restrictions, OHFA will use the as-is restricted value to determine the maximum allowable acquisition cost.

Applicants must demonstrate compliance with OHFA's prohibition on undue profit to a related party seller, by providing the following information at Proposal Application and at Final Application:

- A proposed acquisition settlement statement, including:
  - current and projected balances on existing debt,
  - eligible holding costs, and
  - transaction costs to be paid off at financial closing.
  - Applicants must provide third-party documentation supporting each amount that is acceptable to OHFA and demonstrates no undue profit to the seller and to confirm that acquisition costs are consistent with market value.
- Most recent audited or certified financial statements of the property to be acquired.
- Current and projected reserve balances as of the estimated financial closing date.

OHFA may require an independent third-party cost certification to verify eligible balances and confirm no undue profit is realized.

OHFA, at its sole discretion, may determine that such debt or holding cost is permitted to be repaid as part of the transaction.

Additionally, at least two weeks prior to closing on LIHTC equity, the applicant must provide the most up-to-date settlement statement for OHFA for review and approval. OHFA may request additional information to demonstrate such compliance.

Exceptions may be considered if the applicant clearly evidences that the proposed project is infeasible under this policy. The exception request must be submitted with the project's application.

Analysis of the Development Cash Flow

Debt Service Coverage Ratio (DSCR)

The minimum acceptable DSCR is 1.20 for the first year of stabilized operations. The development must maintain an annual DSCR above 1.00 during the entire 15-year compliance period. The average hard DSCR over the 15-year compliance period must not be greater than 1.5.

For 4% LIHTC projects, OHFA may assume a 1.15 DSCR at stabilization only if the first year of stabilized operations where improved and upward trends in DCR are sustained over 15 years.

OHFA may grant exceptions for Rural Development properties and developments that contain small hard debt amounts that are unable to meet the above DSCR requirements.

Income-to-Expense Ratio (I/E Ratio)

For developments with no hard debt, the developments must maintain an annual expense ratio above 1.00 during the entire 15-year compliance period. The average expense ratio over the 15-year compliance period must be at least 1.10 and may not exceed 1.50.

Tax Abatements:

For developments that include a tax abatement, the operating budget must include the full amount of the assessed property taxes. The amount of the property taxes that are abated must be entered into the Cash Flow Spreadsheet.

The applicant must provide supporting documentation of the eligible tax abatement (e.g., municipal guidelines for the tax abatement program). Furthermore, the project shall submit details on how the projected abatement amount was derived. If the property has an approved tax abatement, proof (e.g., legislative approval, or meeting minutes) shall be submitted. The term and percentage of the abatement must be clearly reflected in the development budget and operating pro forma. If final approval is pending, the applicant must describe the anticipated approval process and timeline

Repayment of HDAP

If you're applying for HDAP funds (a type of soft financing), your project must show positive cash flow for the entire affordability period. OHFA no longer offers HDAP funds as a grant.

C. Underwriting Exception Requests

Underwriting exceptions must be submitted with the application. Applicants must provide a written justification, including third-party documentation where available, for any requested exception. Exceptions will only be considered when consistent with federal and state statutory requirements and when necessary to achieve long-term project feasibility. OHFA will maintain a record of all approved exceptions to ensure transparency and consistency across programs.

The following underwriting exceptions to these Guidelines are permitted:

- **Development Budget: Construction Contingency**
  If the applicant can demonstrate that another funding source requires a higher or lower contingency, applicants must submit the funding source's written requirement (e.g., commitment letter or term sheet) with the request.

- **Development Budget: Minimum Rehabilitation Hard Construction Costs**
  If the applicant Projects unable to meet the $60,000 minimum hard construction cost per unit may submit an exception request outlining how the project's scope of work meets the level of rehab definition outlined in the Design and Architectural Standards and the PCNA, but not the minimum per unit amount.

- **Development Budget: Reserves**
  If a different amount required by another funding source. Requests must include documentation from the funder specifying the required reserve level.

- **Income and Expense Analysis: Debt Service Coverage Ratio**
  To allow projects which can support permanent debt to take on as much as possible, OHFA will allow for those projects whose Year 1 Expense as a percentage of Effective Gross Income exceeds 75%, the development team may submit an exception request to the requirement that the average 15-year DSCR must not exceed 1.50. In these situations, the average 15-year DSCR may be a maximum of 2.0. Exception requests must include documentation explaining the drivers of elevated Year 1 expenses and demonstrating the assumptions are reasonable and necessary.

  OHFA may grant exceptions for Rural Development properties and developments that contain small hard debt amounts that are unable to meet the above DSCR requirements.

- **Income and Expense Analysis: Income/Expense Escalations**
  For properties in which an operating subsidy is provided by HUD, RD, or the local public housing authority to achieve break-even operations at the property, requests must include subsidy documentation, and an explanation of how the escalation aligns with the subsidy contract.

- **Income and Expense Analysis: Service Coordination Expenses**
  Service Enriched developments, senior developments, or developments that must have a higher service coordination fee based on a federal program requirement. Requests must be accompanied by program documentation or cost data justifying the higher service coordination expense.

- **Preserved Affordability: Prior Rent and Income Restrictions**
  For preserved affordability developments, prior rent and income restrictions within the existing property's LURA/RC must be maintained until the existing restrictive covenant expires. OHFA will review exceptions only in cases where maintaining prior restrictions would jeopardize long-term project viability of the project. The applicant must provide details on how the property would be jeopardized and the applicant must submit the Restrictive Covenant Modification documentation with their project application. Further, the project must submit an appraisal as part of the project application by submitting two value calculations in the as-is appraisal, one assuming the

approved amendments and one assuming the amendments are not approved. However, the appraisal as-is value may not assume approval of the amendment as requested.

- **Cost Containment**
  Exception Requests will only be considered for the following reason(s): if one of the two cost containment standards (TDC/Unit or TDC/GSF) fails to be met, but can be explained (e.g., larger unit sizes, less common space, scattered-site developments, projects using Federal Historic Tax Credits, Davis-Bacon wage rates, etc.). Applicants must provide a narrative explanation when TDC/Unit or TDC/GSF exceeds standards. OHFA may require a third-party cost analysis and/or supporting cost documentation if further information is required outside the narrative. OHFA will evaluate cost exceptions in the context of reasonableness, equity across applicants, and efficient use of scarce resources.

- **Related Party Acquisition**
  If the applicant clearly evidences the proposed project is infeasible under this policy, an exception request maybe submitted. The application should provide ample details regarding the acquisition, and the benefit of allowing such an exception.

D. Appraisal Requirements

OHFA requires “as-is” appraisals meeting all requirements outlined in these Guidelines. These requirements are applicable to all OHFA multifamily programs whenever acquisition costs are reflected in the development budget. For projects layered with, HOME, or other federal programs, the stricter of OHFA’s or the federal program’s appraisal standards will apply.

The Multifamily Lending Program has separate appraisal requirements, usually fulfilled by the appraisal prepared for the construction lender, so long as OHFA is listed as an intended user.

An acceptable As-Is Appraisal is either a Summary Appraisal Report or a Self-Contained Appraisal Report (the Report) that meets the most current edition of The Appraisal Foundation’s Uniform Standards of Professional Appraisal Practice (USPAP) and must be completed by a Certified General Real Estate Appraiser licensed in Ohio. OHFA must be listed as an intended user. The licensed appraiser must conduct a site inspection for the subject property.

OHFA requires the appraiser to estimate the market value of the property as-is on the date of the appraiser’s inspection. If the property has existing improvements, the appraiser must also estimate the market value of the land as if vacant and provide an allocation of the total market value between land and improvements.

If the existing improvements are affordable housing properties with a Land Use Regulatory Agreement (LURA) or Restrictive Covenant (RC), then the rent and income restrictions in the LURA must be considered in the as-is value. The appraiser may also provide a value estimate for the property unencumbered by the restrictions, but it is not required, and will not be used in determining the maximum acquisition cost basis. However, if the LURA is within three years of expiration the appraiser may consider the value at market rents but must apply an appropriate discount for the time necessary to reach the elimination of the LURA. It is expected the appraiser will rely primarily on the sales comparison approach for the land and on the income approach to value for existing housing properties with careful consideration of the historical income and expenses.

Details of comparable sales, comparable rentals, and comparable expenses that the appraiser uses in the analysis must be included in the appraisal report.

Favorable financing terms and LIHTC must not be considered in determining the as-is value.

If the property is requesting an amendment to a current OHFA-issued LURA or RC, this may be requested as part of the project application by submitting two value calculations in the as-is appraisal, one assuming the approved amendments and one assuming the amendments are not approved. The applicant must also complete the **Restrictive Covenant Modification documentation** to submit with their project application.

Ownership & Updates

The appraisal used in allocating tax credits may be ordered by the developer or by a lender, so long as OHFA is listed as an intended user. Any appraisal submitted to OHFA in connection with an application will become property of OHFA and may be relied upon for the purposes of determining as-is value and feasibility of the proposed development, regardless of the relationship between the Applicant and appraisal provider. OHFA reserves the right to share appraisal results with other funding partners to ensure consistency across layered financing.

The appraisal must be updated if the effective date is more than twelve months prior to the final application deadline or if there is a change in the portion of the property (whether existing units or acreage) that will be used for affordable housing with low-income-housing tax credits. Updates must clearly state the date of inspection and certify whether market conditions have materially changed since the original appraisal.

E. Market Study Standards

In accordance with in **26 U.S.C. § 42(m)(1)(A)(iii)**, a market study must be conducted by an OHFA-approved, market study professional. To be approved, market analysts must complete the **Preferred Market Study Provider Application** available on the OHFA website and abide by the **National Council of Housing Market Analysts (NCHMA) Model Content Standards for Market Studies for Rental Housing**, including use of **NCHMA's Market Study Terminology**.

Market analysts must certify that they have no financial or business relationship with the applicant, developer, or related parties beyond preparation of the market study. For developments layered with FHA-Risk Share, HOME, or other federal programs, the stricter of OHFA's or the federal program's market study standards will apply.

OHFA will remove any professional submitting inaccurate information from the list of approved market study providers.

Content

At minimum, the market study must include all the sections as specified in the NCHMA Model Content Standards for Market Studies for Rental Housing. The market study professional must complete and submit the **OHFA Market Study Checklist** indicating the location of the specified items within the market study.

OHFA may independently determine if a market exists for the proposed project and require additional information and/or another market study. OHFA may also contact the market analyst during the review process if any required information cannot be found in the study.

The study must also identify and analyze pipeline developments in the PMA (projects awarded funding or in construction but not yet stabilized) across all programs, including LIHTC, HOME, OHTF, NHTF, and other subsidized multifamily resources. The analysis must quantify the number of pipeline units by bedroom size and income restriction, and provide a comparative assessment against the proposed project's rents, unit mix, and target populations. The analyst must evaluate whether total demand supports both existing supply and pipeline units, and must include adjusted capture rates and absorption timelines that account for the cumulative impact of pipeline projects.

1. **Executive Summary**
   Provide an executive summary that briefly reviews all the essential market study requirements and recommendations or suggested modifications and key findings to the proposed project. The executive summary should convey all necessary information.

2. **Conclusion**
   Concise conclusion by the author that indicates whether a market exists for the proposed project, including the estimated stable year vacancy rate and the estimated time needed to fully lease-up. The study must provide an explanation if the estimated stable year vacancy rate exceeds 7% and/or the estimated lease-up time exceeds one year.

3. **Description of Proposed Site**
   Description of the proposed project site.

4. **Description of Primary Market Area (PMA)**
   Description and map of the PMA for the proposed project, including the methodology used to determine the boundaries, including an explanation if the PMA include any areas outside of a five-mile radius from the proposed project and a discussion of the health of the overall rental housing market in the PMA. Provide population and household income and housing data if the demographics of the immediate site area are significantly different from the PMA. If an assisted living or independent living development, state the number of units serving that population.

5. **Rent Comparison Chart**
Create a Derived Rent and Programmatic Rent Comparison Chart showing pro forma and achievable rents ratio to maximum program rents, derived market rents, the current Fair Market Rent (FMR), and 90% FMR rents.

6. **Capture Rate Analysis**
Description of the number of income qualified renter households divided by the number units in the PMA (capture rate). The maximum income for this range would assume 1.5 persons per bedroom rounded up to the next whole person. Provide an explanation if this exceeds 10%. The analyst must also provide a sensitivity analysis of capture rates under more conservative assumptions (e.g., reduced income band, lower household growth) to test market depth.

7. **Description of Public Services**
Description and evaluation of the employers and public services in the PMA, (including transportation, police, fire department, schools, day care, library and community center), infrastructure (including roads and traffic), community services (including shopping, restaurants, parks, recreational facilities, hospital, health care facilities, and services for special needs, if applicable. Provide a list of the approximate distances and a map that clearly identifies the location of the project and all public and community services.

8. **Description of the Federally Subsidized Developments**
Description of the federally subsidized development projects that received Ohio Housing Trust Funds (OHTF), National Housing Trust Funds (NHTF), or HOME Investment Partnerships Program (HOME) and LIHTC projects, both operating and not yet placed-in-service, located in the PMA. Provide the current vacancy rate for each project and include the person(s) contacted and the method of contact. Compare the rents, amenities, unit sizes, bedroom sizes, and populations served to the proposed project.

   The following information must also be included: name, location, population served, type of design, age and condition, number of units by bedroom type, rent levels, number of bedrooms and baths for each unit type, size (in square footage) of units, type of utilities and whether paid by tenant or owner, unit and site amenities.

   Comparisons to the subject rents should be based on comparable amenities, utilities, location, parking, and any rental concessions. Identify specific reasons why comparable types are faring poorly in the market, if applicable. OHFA may require projects that receive a reservation to amend their market study to incorporate those other projects receiving an allocation in the same round and are located in the same PMA. Calculate the ratio of subsidized projects that received OHTF/NHTF/HOME funds and HTC units to income eligible renter households.

9. **Vacancy Rates**
Estimate of the current vacancy rates of the OHTF, NHTF, HOME, and HTC funded projects include only those currently operating located in the PMA during the first stabilized year of the proposed project. Provide an explanation if the estimated vacancy rate exceeds 10% for any project. The analyst must provide documentation of historical occupancy trends and market conditions to support vacancy assumptions.

10. **Comparable Development**
Description of comparable market rate developments located in the PMA. Provide the current vacancy rate for each project and include the person(s) contacted for each competing project and the method of contact.

    Compare the rents, amenities, unit sizes, bedroom sizes, and populations served of the competing projects to the proposed project. The following information must also be included: name, location, population served, type of design, age and condition, number of units by bedroom type, rent levels, number of bedrooms and baths for each unit type, size (in square footage) of units, type of utilities and whether paid by tenant or owner, unit and site amenities. Comparisons to the subject rents should be based on comparable amenities, utilities, location, parking, and any rental concessions.

11. **Financial Interest**
    An executed original **Market Study Certification** that the market analyst has no financial interest in the proposed project. Financial interest includes any compensation or consulting relationship with the applicant, developer, management agent, or related parties within the past 24 months, other than the market study fee itself.

12. **Data Sources Used in the Market Study**
    A list of all data sources used in the market study. The analyst must also provide citations for all third-party data sources and disclose any assumptions or adjustments made.