



Ohio Housing Finance Agency **ARRA Application Procedures & Underwriting Guidelines**



**OHIO HOUSING FINANCE AGENCY
2007 and 2008 HTC & MULTIFAMILY BOND
ARRA APPLICATION PROCEDURES & UNDERWRITING GUIDELINES**

The American Recovery and Reinvestment Act of 2009 (ARRA) provides states with two programs to offset declining investor interest for Housing Tax Credits (HTC). Both the Tax Credit Assistance Program (TCAP) and the Tax Credit Exchange Program (TCE) are additional funding for projects that received an award of Housing Tax Credits in the 2007, 2008, or 2009 federal fiscal years.

These funds are to be used by the Ohio Housing Finance Agency (OHFA) to facilitate and expedite where appropriate, the financing of the construction or acquisition and rehabilitation of qualified (under Section 42 of the Internal Revenue Code (IRC)) low-income developments. Both of these temporary new programs are designed to provide economic stimulus and facilitate the development of housing projects as quickly as possible.

All documents required by OHFA for ARRA funding must be submitted on a compact disc (CD) in Adobe Acrobat or Microsoft Word or Excel formats. Files should be clearly labeled and organized using the lettering and numbering system in these guidelines. possible.

I. INTRODUCTION

OHFA will follow the ARRA's overall purpose of stimulating the economy and saving or creating jobs in the near term by prioritizing projects by their Readiness to Proceed. In implementing and distributing these funds, OHFA will balance the following Agency Policy Goals:

- Support and enhance the public-private investment partnerships.
- Achieve policy goals in the Qualified Allocation Plan (QAP) and OHFA Annual Plan.
- Efficiently allocate all resources to projects likely to succeed.
- Give priority to projects that produce immediate stimulus.
- Limit administrative burden for owners, unless necessary.

For purposes of prioritizing projects, OHFA will separate eligible projects into two (2) categories:

Category 1 Project: Those projects that will utilize an investor / equity provider.

Category 2 Project: Those projects where OHFA is being asked to act as the sole or primary equity investor. These projects will be reviewed in two (2) parts described in II (C) below.

For 2007, 2008 HTC projects, or projects that have a Section 42 M Letter dated prior to September 30, 2009, OHFA funding priorities in paragraph I (1) listed below apply. A separate ARRA Application and Guidelines will be available for all other 2009 projects.

OHFA has established additional ARRA Stimulus funding priorities as follows:

1. Projects awarded competitive HTC in 2007 or 2008 which have not yet closed with their syndicator / equity investors and (ii) projects awarded competitive HTC in 2007 or 2008 that are unable to find or secure equity investors and (iii) projects that have received a Letter of Eligibility for non-competitive (i.e. multifamily bond projects) up to \$10 million in TCAP allocation.
2. Projects that receive a reservation of competitive HTC in 2009 and have an opportunity to find equity investors at a reasonable market price.

3. Projects that have received a Letter of Eligibility for non-competitive (i.e. multifamily bond projects) HTC in 2007, 2008, or 2009 (above initial \$10MM TCAP allocation noted in Number 1, above) and have not yet closed on the bonds or with their credit investors prior to July 1, 2009.
4. Projects that rank high in the 2009 competitive HTC funding round but do not receive credits, achieve policy goals for OHFA, and are feasible without HTC.
5. Additional projects awarded non-competitive (i.e. multifamily bond projects) HTC in 2007, 2008, or 2009 and have not yet closed on the bonds or with their credit investors after July 1, 2009 or were not funded with ARRA funds during first funding window for multifamily bond projects.
6. Additional funds for 2009 competitive HTC projects that are unable to find or secure investors and projects that receive competitive HTC in 2010.

II. EVALUATION CRITERIA

A. THRESHOLD ELIGIBILITY AND UNDERWRITING CRITERIA

1. Projects must follow the U.S. Department of Housing and Urban Development CPD-09-03 issued May 4, 2009 and Section 1602 of the American Recovery and Reinvestment Tax Act of 2009 (Section 1602).
2. A Project will qualify if it has received a carryover allocation from the 2007 or 2008 Competitive 9% Housing Credit Process and has not closed their equity, bank financing, or Multifamily Bonds. To receive TCAP or TCE, projects must receive an award of HTC or Section 42 M Letter no later than September 30, 2009.
3. In order to be eligible for TCAP funding, owners must not undertake any choice-limiting activity prior to successful completion of the environmental clearance review (i.e., HUD approval of the Request for Release of Funds) This prohibition begins the date of application for ARRA funds and includes leasing or disposition of real property and any activity that will result in a physical change to the property including demolition, movement, rehabilitation, conversion, repair, or construction. Performing a choice-limiting action prior to successful completion of the environmental clearance review may disqualify a project from receiving any federal funds, including TCAP.
4. In the event that the project is unable to receive a favorable Final Underwriting recommendation from the ARRA Underwriting Team, the project will be required to return all allocations of HTC, HDAP, and other sources as may be applicable to OHFA within five (5) business days of notification.
5. OHFA will accept projects for review and underwriting to be performed by the ARRA Underwriting Team, only which have submitted complete applications. A complete application meets the threshold criteria, underwriting, and requested due diligence materials. **DO NOT** submit an application for a request of TCE or TCAP money to OHFA until all materials in Section III have been provided. Only applications that demonstrate Readiness to Proceed, and commit to close ALL funding sources within 60 days from Final Underwriting Report will be considered. Category 2 projects where OHFA is being asked to act as the sole or primary investor may apply as described below in paragraph II (C).
6. Readiness to Proceed is defined as a project that has completed the requested due diligence, meets all design criteria, meets threshold of Readiness to Proceed, and begin construction within 30 days from closing ALL sources of funding, inclusive of ARRA Funding. For all projects that

OHFA determines have met the criteria for Readiness to Proceed, OHFA will use its best efforts and commit to close the ARRA funding, subject to approval by the ARRA Underwriting Team, within 90-100 days of Application submission.

B. **Category 1** Projects with a syndicator / investor committed and a complete application will receive initial priority for review by the ARRA Underwriting Team. The syndicator / investor negotiated project must satisfy all of the following criteria:

1. Submission by the General Partner(s) (GP) of an updated version of the Affordable Housing Funding Application (AHFA) to be provided by OHFA. The minimum acceptable Debt Service Coverage (DSC) is 1.20 for the first year of stabilized operations. In addition, permanent debt is to be sized such that a minimum 1.0 Annual Debt Service Coverage is maintained through Year 10 of stabilized operations.
2. Cumulative Cash Flow Deficits that occur as a result of DSC below 1.0 in the remaining years (after Year 10) will be required to be added to the Minimum Established Operating Deficit Reserves.
3. Operating Deficit Reserves will be calculated at a minimum of 6 months of Operating Expenses, Replacement Reserves, and Hard Debt Service.
4. OHFA will accept Operating Deficit Guarantees negotiated by the GP with the syndicator / investor(s). *A copy of those guarantees must be provided to OHFA for the file.*
5. Income and expense inflators will be established at 1% income and 4% expenses from construction start through Stabilized Operations as negotiated with the syndicator / investor. Income and expense inflators will be 2% income and 3% expense growth after year 2 through the Compliance Period (year 15). *A copy of the definition of Stabilized Operations in the Operating Agreement must be provided to OHFA for the files.*
6. A lease-up / marketing reserve shall be established in an amount as required by OHFA and equivalent to funding necessary to demonstrate break even during the lease up / construction period.
7. The final amount and source of GAP funding will be based upon the ARRA Underwriting Team recommendations and approved by the OHFA ARRA Committee.

C. **Category 2** projects without an investor; OHFA reserves the right, in its sole discretion, to act as the investor. Once the information in C (1) below is submitted, a meeting will be set at OHFA with the ARRA Underwriting team, project GP and lender. The ARRA Underwriting Team will take all of the information presented into account during the underwriting process. If the ARRA Underwriting Team does not invite the project to submit the Part II Application, the project will be required to return its credit allocation and will be **ineligible** for ARRA financing. A two part application process has been established to evaluate Category 2 projects as follows:

1. Part I Application Submission.
 - a. The projects GP must adhere to all of the information described in paragraph II (B) above and submit an updated AHFA provided by OHFA which reflects the new underwriting guidelines and a signed application certification (ARRA Application Certifications Form).
 - b. Attach a narrative describing the steps taken to secure an equity investment and describing issues inhibiting investor interest in the project. OHFA will look for evidence that the applicant has made an exhaustive effort to obtain an equity investor. The narrative must

identify potential investors proffering unacceptable offers, and why specific terms and conditions were detrimental to the project's feasibility. OHFA reserves the right to corroborate presented facts, and may request additional information from the applicant and/or the potential investor or syndicator. OHFA shall determine whether an applicant has met the federal good faith effort test. **ANY MISREPRESENTATION BY APPLICANT SHALL DRAW MAXIMUM PENALTIES UNDER PROGRAM REGULATIONS.**

- c. If no investor is involved, provide copies of the 2007 and 2008 audited or compiled financials from all the General Partners (and / or parent organizations if applicable) and / or Guarantor(s).
 - d. If no investor is involved, provide a list of all contingent liabilities for all of the General Partners (and / or parent organizations if applicable) and / or Guarantor(s).
 - e. Provide a detailed project timeline which shows all activities required to be complete to close all funding and start construction. Include the required / negotiated costs of each activity to complete the work to close submit the Part II Application.
 - f. A detailed narrative of all changes to the project from its original OHFA application with detailed supporting documentation evidencing the reasons.
 - g. A market study updates (Section V below).
 - h. Other applicable details listed in the Addendum (C).
2. Part II Application Submission after invitation by OHFA:
- a. Submit all the information in Section III below.
 - b. Submit additional due diligence documentation requested as identified by the ARRA Underwriting Team. The ARRA Underwriting Team will review these projects more conservatively in all aspects. A detailed check list will be provided in late **June 2009** for review. This will be modeled after industry standard debt / investor due diligence and closing check list.
 - c. Operating Deficit Reserves will be increased and be calculated as a minimum of 12 months (instead of 6 months) of Operating Expenses, Replacement Reserves and Hard Debt Service.

III APPLICATION RULES AND REQUIREMENTS

The ARRA Underwriting Team will initially review each project application for accuracy and completeness on a first come first serve basis. Applications will be accepted between **June 15, 2009** and **October 14, 2009** (the "**ARRA Application Window**"). Upon submission and receipt by OHFA of a complete ARRA Application for Category 1 and Category 2 Projects Part I Submission, OHFA will use its best efforts to commit and provide the General Partners with a Draft Underwriting Report within thirty (30) days.

~~Once the Draft Underwriting report has been issued, the Applicant will have three (3) business days to submit comments to the ARRA Underwriting Team along with the balance of the Underwriting Fee (Addendum A (8)(c)). All comments will be reviewed, vetted, and discussed. The ARRA Underwriting Team will have up to ten (10) business days to issue a Final report, ARRA Committee approval, and OHFA Commitment of Funds. For Category 1 Projects, upon issuance of the Final Underwriting Report, OHFA will commit to distribute the ARRA fund agreement(s) within 30 days, and close within an additional thirty (30) days. This equates to 60~~

days time from Final Underwriting report to Closing. A detailed closing timeline will be established individually for all Category 2 projects.

The underwriting will be evaluated based on the proposed deal structure presented within this application. ~~Any changes to the proposed deal or structure after the issuance of the Draft report will result in additional underwriting fees.~~

Any HTC awarded 2007 and 2008 project that **does not** submit an ARRA Application for funding by **October 14, 2009** will automatically be required to return all OHFA committed resources, which includes but may not be limited to Housing Tax Credit Allocation, HDAP, and OHFA Bridge loan. This requirement does not apply to HTC projects that are able to proceed on time without ARRA funding.

Projects that answer **YES** to all 4 questions below should consider submitting an ARRA Application. If the answer is **NO** to **any** of the four questions, except in the case of Question 2 as it pertains to an acquisition / rehab project, and Question 4 as it pertains to a full TCE project, your application will be rejected as incomplete. OHFA reserves the right to contact the appropriate persons to confirm any information provided.

Please respond to the following 4 questions:

- 1. Has your project received clearance from the appropriate environmental firm or Agency for the receipt of an award of OHFA HOME, Housing Trust Fund, or other federal funds that may invoke Davis-Bacon, 24 CFR part 58, or Form HUD-4128(rev 1/2002)?**

_____YES or ___ NO

Please provide a copy of the Environmental review approval letter.

- 2. Does the project have building permits, received a letter from the applicable jurisdiction that the plans have been reviewed and approved and building permits are ready to be picked up upon payment of fees, or have the plans been submitted to the local jurisdiction for review of building permits?**

_____YES or _____NO

Please provide copies of the building permits, letter evidencing the applicant's ability to obtain building permits subject to payment of fees, or evidence that the projects plans have been submitted. Include the contact information of the person responsible to approve the issuance of building permits.

If the project is an acquisition / rehab, provide a letter from the jurisdiction that NO permits are required. In the event that this is a substantial rehab, provide copies of the permits from the major trades, such as electrical, HVAC, and plumbing, or a letter from the applicable jurisdiction evidencing that either permits are not required or can be picked up upon payment of fees. Include the contact information of the person responsible to approve the issuance of permits regardless if they are not required.

- 3. Has your project received full credit committee approval from a lending institution(s) for both construction and permanent financing?**

_____YES or _____NO

Please provide copies of the countersigned credit committee approval and commitment. At a minimum, the lender must have received and reviewed the appraisal, environmental reports, construction cost reports, market study, and equity structure / pricing / pay-in schedule.

4. Except for a Category 2 Project, has the project received full credit committee or investment committee approval from the Investor / equity provider?

___ YES or ___ NO

Please provide copies of the countersigned commitment from the equity investor. At a minimum the equity investor commitment must state they have received, reviewed, and approved the; projects architectural and civil engineering plans at 80% complete (to be verified by the OHFA Cost Estimator); environmental reports; the market study; the appraisal; the construction cost are acceptable; the Capital Needs Assessment and Scope of work; and the equity pay in structure

IV ADDITIONAL ARRA APPLICATION REQUIREMENTS

Please provide all of the documents listed below at the time of ARRA Application submission. Please **DO NOT** submit an ARRA Application if the project's Readiness to Proceed cannot be verified or is not supported by submitted documentation. If any of the items below are not submitted, the application is not complete nor eligible for review. OHFA and ARRA Underwriting team reserve the right to request additional information to complete the underwriting report.

- ~~1. A non-refundable Application Fee of \$1,000 is required for Category 1 and 2 project reviews. This fee cannot be paid from ARRA funds. If a Category 2 project requesting OHFA to be the investor receives a negative underwriting report, resulting in the return of the HTC credit award, \$500 of the Application Fee will be refunded~~
2. A detailed narrative of all changes to the project.
3. Complete the updated AHFA with the new 15 year proforma and underwriting criteria and a signed application certification (ARRA Application Certifications Form).
4. Please review Title 40 Protection of the Environment, Subpart C, Section 312.20 as it pertains to requirements to update an Environmental Phase I or Phase II report. **DO NOT SUBMIT A FULL PHASE I OR II REPORT.**
5. Market studies update (Section V below). **DO NOT SUBMIT THE FULL Market Study REPORT.**
6. Provide a detailed project operating budget. For a rehab project, provide the last 3 years of audited financial statements for the general partner ownership entity.
7. For a new construction project, provide an analysis of the property tax number used in the model. For an existing rehab project, provide a copy of the last 2 years tax bills.
8. A detailed project schedule and timeline from construction / renovation start to stabilized lease up.
9. Provide a copy of the executive summary for the MAI Appraisal dated within 3 months of the ARRA application date, or an update letter as may be required. **DO NOT SEND THE FULL APPRAISAL.**
10. For renovation projects, provide the final Capital Needs Assessment (CNA) executive summary and scope of work with verification of lender and investor approval (if applicable). **DO NOT SEND THE FULL REPORT.**
11. Provide a letter verifying approval for utility extension from the Ohio EPA, or submit evidence the application has been submitted and accepted by the Ohio EPA.
12. For Category 2 Projects, submit in 11 x 17 format a signed sealed copy by the architect of the building elevations and schematic floor plans. Submit a copy signed and sealed by the civil engineer of the approved schematic site plan. **DO NOT SEND THE FULL 100% ARCHITECTURAL OR CIVIL PLANS.**
13. A copy of the ALTA survey. A draft will be acceptable pending final lender and equity investor endorsements only.
14. Complete the contractor identity of interest form.

The OHFA contracted Cost Estimator will be in contact with the Applicant upon submission of a complete Application to begin the plan and cost review as contemplated in the ARRA Implementation Plan.

V. MARKET STUDY UPDATE FOR ARRA REQUIREMENTS

If the original market study or any subsequent updates are older than six months from the date of the ARRA Application submittal, ARRA applicants must obtain an updated Market Study from the original market analyst. An acceptable update will include but not be limited to a brief letter update, executive summary, analyst's conclusions, and any Appendices of additional data sources utilized. **No site visit is required.**

A. Basic Requirements

1. **Updated Project Description and Executive Summary.** Include a brief discussion of *any* changes in the project that have occurred since the original market study.
2. **Updated Demographic Data.** This section of the report should be updated to reflect any changes in the current market that have occurred since the original Market study such as:
 - a. Any adverse change in local economic conditions due to plant or business closings, increased unemployment rate, general economic decline in the Primary Market Area (PMA).
 - b. Impact of foreclosed, abandoned and vacant single family homes in the vicinity of the proposed project should be discussed.
 - c. Additional comments regarding the long term affect the current economic challenges will have on the PMA. Market analysts are encouraged to utilize data from the local department of Labor, Department of Economic Development and Local Chamber of Commerce.
3. **Updated Comparable Rental, Capture Rate and Absorption Projections.** A narrative and chart that updates the original report rental data to today's current market conditions reflected in a summary chart format for ease of comparison. This will provide updates in comparable tax credit rents and identify major shifts in market rate rents if applicable.
4. **Provide a statement that affirms that a market continues to exist for the project as proposed, or cite the market analysts recommended changes.**

ADDENDUM

TAX CREDIT EXCHANGE (TCE) AND TAX CREDIT ASSISTANCE PROGRAM (TCAP) TERMS, CONDITIONS AND COSTS

A. TCE FUNDING

1. All TCE funding will be in the form of a grant. It will have a recapture provision for 15 years.
2. The project must remain in compliance for 15 years. After the initial compliance period of 15 years, the project will be monitored under the OHFA extended compliance guidelines.
3. If a project defaults on its applicable program requirements within the 15 year recapture period, all TCE funds received must be repaid in full to the United States Treasury by the General Partners and Owners of the project.
4. The priority use of TCE funds will be a permanent source gap filler for projects with Investors. Projects without investors will be required to go through stringent underwriting and must adhere to OHFA funding and closing timelines.
5. For a TCE Grant (or loan) project being constructed or renovated, OHFA will provide funds to each project on a reimbursement basis. OHFA will be flexible in how those funds will be distributed. They may be disbursed monthly, quarterly, or annually pari passu and proportionate with the construction lender funds if required. Funds will be released only upon receipt of the appropriate AIA (or applicable) form, signed by lender, construction consultant, and investor (as applicable). Verification of title, and appropriate lien releases will also be required. OHFA reserves the right at the project owner's expense, to contract with third parties to provide Asset Management services.
6. Security for all TCE 100% funded projects will be established consistent with IRS guidance. In addition, the form, structure and substance may vary by project.
7. When OHFA acts as the sole or primary investor (100% TCE), the Operating Deficit Guarantees will be capped to the Total Developer Fee allowable under the QAP and defined in the AHFA, through Stabilized Operations. The Stabilized Operations are defined as follows:
 - a. Project maintains for a period of 12 consecutive months at 95% occupancy.
 - b. Debt service coverage is maintained at or above 1.20 for a period of 12 consecutive months.
 - c. Upon achievement of 12 consecutive months of Stabilized Operations, the Operating Deficit Guaranty will be reduced to an amount equivalent to 12 months of Operating Expenses, Debt Service, and Replacement Reserves. This guaranty will remain in effect up to 10 years.
8. Closing Costs and fees will be eligible project costs. Any project with TCE funds will be subject to these fees and costs. These following costs and fees are not eligible to be paid from TCAP funds:
 - a. ~~OHFA Document Preparation fee will be paid at closing as follows:~~
 - i. ~~With an investor the fee is \$7,500 per project~~
 - ii. ~~Without an investor the fee is \$15,000 per project~~
 - b. Asset Management fees will not be paid as a normal annual operating expense. They will be fully funded / paid into deposit accounts prior to OHFA issuing either an 8609 or upon 100% construction completion

(in the event of no investor). The maximum fees charged between Investor and OHFA will be up to \$10,000 per year for minimum of 15 years. The fee will be set depending on the amount of services required and if an investor is part of the project team.

~~e. Underwriting fees will be paid 50% upon Application submittal and 50% within three (3) days after receipt of the Draft Underwriting Report or the Application will be automatically rejected. Applicant comments to the Draft report should not trigger additional fees unless there are material changes to the project scope and structure as determined in underwriter's sole discretion. The Underwriting Fees are as follows:~~

- ~~i. Category 1 fee is \$5,000 per HTC project submitted; an additional \$2,500 for re-underwriting will be required after the issuance of a Draft Report.~~
- ~~ii. Category 2 fee is \$10,000 per HTC project submitted; an additional \$5,000 for re-underwriting will be required after the issuance of a Draft Report.~~
- ~~iii. Bond project fee is \$10,000 per project submitted; an additional \$5,000 for re-underwriting will be required after the issuance of a Draft Report.~~

B. TCAP FUNDING

1. TCAP funds can be used as construction loans, possible grants, bridge loans, loans utilized during the construction period to prepay the construction loan, and in certain instances, as permanent loans. Permanent loans may be used to replace an OHFA or non-OHFA construction loan(s) in accordance with TCAP regulations. All outstanding TCAP Loan balances prior to March 1, 2012 will carry a 0% interest rate.
2. TCAP Funding Construction Loan Terms will be for the financing of development costs related to the construction or rehabilitation. Loans will carry an Interest Rate of 0% amortized over thirty (30) years with a term of 18 months. Subject to OHFA approval, the Borrower may request two (2) additional three (3) months extension for a total construction loan term not to exceed twenty-four (24) months.
3. Construction financing will have full recourse against the borrower.
4. The ARRA Underwriting team will evaluate each project to determine if the requested loan amount is adequate in size and meets the stated policy objectives above.
5. A portion of the TCAP construction loan may remain in the project as a Bridge Loan. The terms and conditions established for the Bridge Loan program will be similar to the existing OHFA 10 year Bridge Loan program.
6. Asset Management fees will be fully funded prior to OHFA issuing either an 8609 or upon 100% construction completion (in the event of no investor). The fees will be up to \$10,000 per year for minimum of 15 years. The final fee will be set depending on the amount of services required and if an investor is part of the project team.

C. Special Conditions for TCE and TCAP Funded Projects

1. Rent, income, and use restrictions will apply, as described in the Ohio Qualified Allocation Plan with respect to an award of LIHTC and Bond project regulations. These restrictions will be secured by a Land Use Restriction.

2. Written agreements shall be entered into between OHFA and the borrower.
3. TCE grant or TCAP loan proceeds shall be disbursed on a draw basis to fund eligible hard and soft costs that meet the eligible basis requirements defined by the LIHTC program. Each draw is subject to approval by OHFA or its Asset Manager.
4. Project annual audited financial statements and applicable ARRA reports as cited in the ARRA rules must be provided.
5. Upon completion of construction/rehabilitation, award recipients must submit to OHFA the contractor cost certification in the revised OHFA format embedded within the ARRA Approved AHFA. The award recipients must meet and remain in compliance with the Qualified Allocation Plan, OHFA ARRA guidance and policy, and any applicable Federal requirements.
6. If at any time during the Compliance Period the project ceases to be a "qualified low income housing project" (as defined in Sec. 42 (g)(1) of the Internal Revenue Code) or any substantial number of units, as determined by OHFA, in the project cease to be "low income units" (as defined in Sec. 42(i)(3) of the Code), the balance of the loan becomes due and payable immediately. This provision may be enforced by foreclosure, liens, or other methods enforceable under Ohio law.
7. All activities must be conducted in full compliance with all program statutes, the Internal Revenue Service (IRS) regulations and the U.S. department of Housing and Urban Development (HUD) regulations.
8. When OHFA acts as the sole or primary investor, benefits, such as depreciation and losses, may generate additional proceeds for a project. OHFA will determine in its sole and absolute discretion the best use of those resources, if applicable or available.
9. All terms, conditions, assignments of rents and leases for any TCE or TCAP funds will be set forth in the TCE Grant Commitment and TCE Grant Agreement and TCAP Loan Commitment and TCAP Loan Documents.
10. For initial project underwriting, Applicants can present how they have negotiated the payment of development fees with their equity investor and bank. For 100% TCE projects, Applicants can expect the payment of development fees to be consistent with industry standards. The underwriting analysis will take into consideration the Applicants previous expectations as it reviews each project for ARRA Stimulus Funding.
11. All 100% TCE project Operating Deficit Reserves will be held and / or controlled by OHFA in their sole discretion
12. A detailed lease up budget must be provided by the General Partner that reflects the projects projected deficit from construction start to stabilized operations. The ARRA Underwriting team will expect a minimum of 4 months of premarketing expenses prior to the projected first building availability. If the Applicant is unable to provide a detailed budget, the ARRA Underwriting team will utilize \$2,500 per unit in the development budget. Any portion of Lease Up reserves not utilized will be required to be placed as additional Operating Deficit Reserves to the benefit of the project.

13. The OHFA Cost Estimator Report will be utilized during the underwriting process. A list of requirements will be posted by **June 15, 2009**. The Cost Estimators requirements must be submitted with the complete application to insure the ARRA Underwriting Team will be able to finalize the Draft Report within the stated time frames.
14. For projects that submit verification that building permits are available, provide an executed construction contract and certifications from the General Contractor, Architect, Civil Engineer, and General Partners that the plans and contract presented are 100% complete with no further change or action required to start construction. Certification to be provided by OHFA. Category 2 Projects will be required to provide this certification prior to receipt of the Final Underwriting report.
15. TCE – Category 2 Projects.
 - a. A full ARRA Application must be received within sixty (60) days of invitation by OHFA to proceed to Part II Application.
 - b. At the time of invitation to proceed, OHFA will exchange the current allocation of credits awarded to the project.
 - c. OHFA reserves the right to issue a nominal amount of credits to all TCE projects.
 - d. Once a Part II Application is complete, the ARRA Underwriting Team will evaluate and work closely with the Applicant GP representative to finalize all due diligence materials required for OHFA to Close.
 - e. The detailed project timeline submitted in the Part II will be strictly adhered in order to ensure the project will close.
 - f. In the event that an invited applicant is unable to submit a completed Part II Application by October 14, 2009, all OHFA allocations and resources will be returned and any OHFA outstanding commitments will be rescinded.