

## 2014 Bond Gap Financing Program

Final for Approval

### Purpose

The Ohio Housing Finance Agency (OHFA) is seeking approval of the 2014 Housing Development Gap Financing Program.

### Notes of Importance

- The guidelines have been updated to include clarification and administrative corrections.
- Planning staff met with internal staff and conducted a focus group with external stakeholders. Information gathered during these meetings has been used to generate the 2014 BGF guidelines.
- We received approximately 13 responses regarding the guidelines. Several of these led to the changes that were made between draft and final.
- A red line version of the guidelines have been included to show where changes have occurred. Many changes were related to adjusting the scale of some criteria.
- Based on stakeholder's feedback, the final version of the BGF guidelines includes the removal of permanent supportive housing as a priority.
- Based on stakeholder's feedback, the final version of the BGF guidelines includes adjustments to the preservation priority that includes requiring that at least 50% of the units have rental subsidy.

### Submission of Questions

Questions may be submitted to Andrew Bailey, Director of Planning, Preservation and Development, at [abailey@ohiohome.org](mailto:abailey@ohiohome.org) or (614) 644-5650.

## **A Note on 4% Housing Tax Credit Developments**

Financing affordable housing is difficult. Unlike market rate housing, which typically combines debt and equity, affordable housing requires several layers of complex funding sources. 4% Housing Tax Credit developments fall into a level of complexity, such as utilizing bond financing and selling the 4% credits, as well as many obstacles. One primary obstacle is low rent levels that greatly restrict how much debt a development pro forma can handle.

The Office of Planning, Preservation and Development is pleased to offer gap financing in the Bond Gap Financing Program. This financing, which includes up to \$1,000,000 in Ohio Housing Trust Fund dollars, helps developers make 4% Housing Tax Credit developments feasible. Since 2010 OHFA has awarded partners funding to construct and preserve 24 developments across the state. These 24 developments directly impact the lives of 1851 households by providing them a place to call home.

The Ohio Housing Finance Agency is pleased to present the 2014 Bond Gap Financing program. We are proud of the developments that have resulted from prior years of funding, and thank our development partners in impacting the lives of Ohio households.

The following is a list of staff members and our development partners that assisted in the creation of the 2014 Bond Gap Financing Program.

Andrew Bailey  
Director of Planning, Preservation and Development

### **Ohio Housing Finance Agency**

Executive Director: Doug Garver  
Chief of Staff: Sean Thomas

### **Office of Planning, Preservation and Development**

Program and Policy Manager: Myia Batie  
Operations Manager: Karen Banyai  
Business Manager: Kelan Craig  
Portfolio Manager: Kevin Clark

The following staff provided guidance and participated in the planning of the 2014 Guidelines:

Celia Elkins, Planner  
Deborah Leasure, Planner  
Virgie Vaido, Analyst  
Kathy Berry, Analyst

Our office would also like to thank the Department of Program Compliance for their guidance and the Department of Communications for the graphic design of the guidelines.

## Thanks to Our Partners

OHFA would like to thank our partners that attended focus groups and provided written comments and feedback:

Cleveland Housing Network	Ohio Capital Corporation for Housing
Coalition on Homelessness and Housing in Ohio	Ohio Housing Council
Fairfield Homes	PIHRL
Herman and Kittle Properties	PNC Bank
LeadingAge	Showe Management
Millennia Housing Development	The Woda Group
National Church Residences	Wallick Communities

And thanks to all of our other partners that have participated in the Bond Gap Financing program, provided comments, or attend focus groups in the past.

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## **I. Program Information**

### **A. Purpose**

The goal of the Ohio Housing Finance Agency's (OHFA) Bond Gap Financing (BGF) Program is to provide financing to eligible affordable housing projects to increase, preserve, and/or improve the supply of decent, safe, affordable housing for low- and moderate-income persons and households in the State of Ohio. OHFA expects to fund approximately 250 units through the 2014 BGF program.

Questions concerning the Bond Gap Financing Program should be directed to staff via e-mail:

Karen M. Banyai      [kbanyai@ohiohome.org](mailto:kbanyai@ohiohome.org)  
Virgie Vaido        [vvaido@ohiohome.org](mailto:vvaido@ohiohome.org)  
Kat Berry            [kberry@ohiohome.org](mailto:kberry@ohiohome.org)

### **B. Funding Availability**

Approximately \$3 million in Ohio Housing Trust Fund (OHTF) will be available for the financing of new construction or the rehabilitation of rental units. Additional funding may also be available through housing development loans. The Ohio Housing Trust Fund provides funding to projects predominantly serving low- to moderate-income households with incomes at or below 50% of the area median gross income (AMGI). The OHTF gives preference to those projects that benefit households with incomes at or below 35% of the AMGI for the county in which the project is located, as established by the U.S. Department of Housing and Urban Development (HUD). Applicants receiving an award of OHTF dollars may be subject to State of Ohio prevailing wage rate rules.

Final Bond Gap Financing funding levels are subject to:

- Appropriation of funds to OHTF by the State Legislature;
- Allocation by the OHTF Advisory Committee; and
- Finalization and HUD approval of the State Consolidated Plan.

Funds may be awarded in the form of a loan or a grant. OHFA will refer to Ohio Revised Code Chapter 174, as well as the Code of Federal Regulations governing the use of OHTF funds used to meet HOME "match" requirements.

Funding requests are subject to approval from the OHFA Board.

OHFA will award OHTF dollars based on the need to meet set-aside requirements.

The 2014 Bond Gap Financing guidelines may be subject to change, pending developments in federal and state legislative requirements and/or OHFA policy.

### **C. Funding Limits**

Projects may request up to a maximum of \$1 million in gap financing.

Awards will be limited to one per developer.

#### **D. Project Eligibility**

4% Low-Income Housing Tax Credit (LIHTC) projects that meet the requirements of the 2014 Qualified Allocation Plan (QAP) will be eligible to apply.

All projects that receive funding will be required to follow and meet the 2014 QAP and Housing Credit Gap Financing Guidelines, where applicable or not outlined in these guidelines.

The following exceptions will apply:

- Funds will only be available to projects that have not yet received or applied for an allocation of Housing Tax Credits or HDAP. Exceptions may be made for projects that use HUD's Rental Assistance Demonstration (RAD) program. Applicants must contact OHFA to obtain this exception.
- OHFA reserves the right to not allocate the entire amount of funds available or requested.
- Construction must commence within one year of approval of the HDAP award for new construction and within two years of approval of the HDAP for preservation unless otherwise approved by OHFA.
- Projects must be completed and placed in service no later than three years after the date that OHFA Board approves the award of HDAP funds.

## **II. Application Process**

### **A. Bond Gap Financing Program Calendar**

August 15, 2014	Deadline to submit requests for exceptions to program requirements
September 19, 2014	Bond Gap Financing proposals due Proposal meetings may be required on a case by case basis
October 23, 2014	Announcement of Bond Gap Financing awards
October 30, 2014	Next Steps meetings begin
November 14, 2014	Next Steps meetings end
February 6, 2015	Final application deadline

### **B. Exceptions to Program Requirements**

Any request for an exception to specific program requirements, as permitted in the 2014 QAP and where indicated in this guideline, must be submitted by the date indicated in the Program Calendar. OHFA will consider such requests and issue decisions within two weeks of the proposal deadline.

### **C. Application Submissions**

All application materials for the 2014 BGF funding year must be submitted to the Office of Planning, Preservation & Development; OHFA, 57 East Main Street; Columbus, Ohio 43215. Applications must be received no later than 4:00 p.m. on the dates listed in the program calendar.

Applicants must use the most current 4% HTC application available on the OHFA web site.

All applications and supporting documentation must be submitted in digital format according to the Document Submission Procedure posted at <http://www.ohiohome.org/lihtc/application.aspx>.

#### **D. Site Visits**

OHFA will conduct a site visit to gather information that will be used to help evaluate applications. The applicant must clearly mark the physical location of the site and provide a detailed map that depicts the roads leading to the site. Up to two representatives of the applicant who are familiar with the housing proposal are encouraged to accompany OHFA staff to answer any questions. The applicant may request in advance that additional representatives be present if necessary and acceptable to OHFA. Applicants for scattered-site projects must be available to provide a tour of the sites and neighborhoods. All site visits will be scheduled at a time convenient to OHFA review staff.

#### **E. Proposal Applications**

Proposal applications should include the following threshold criteria as defined in the 2014 QAP:

- Complete Affordable Housing Funding Application
- Project History Narrative (existing rental units only)
- Narrative and supporting documentation explaining the competitive points being claimed by the applicant.
- Detailed site map as indicated under section II D.
- Evidence of Public Notification
- Evidence of Site Control
- Evidence of Zoning
- Preliminary Architectural Plans & Specifications
- Scope of Work (existing rental units only)
- Capital Needs Assessment (existing rental units only)
- A letter from the project's Bond Underwriter that outlines the proposed bond structure and all steps required, including a timeline, for closing the financing for the project
- Identity of Interest Form
- Market Study – (new rental units only)
- Phase I Environmental Site Assessment
- Audited financials or rent rolls for the past 5 years evidencing 93% occupancy or higher; or, a full market study (existing rental units only)

Proposals must meet the underwriting and programmatic requirements outlined in the 2014 QAP.

OHFA will consider the development team's ability to proceed quickly and close all financing in 2015 based on previous experience. OHFA will also consider total project costs and investment of its resources that are reasonable in an effort to produce units.

#### **F. Proposal Review Process**

OHFA will competitively score projects before underwriting or threshold reviews are conducted. Those projects that are the highest scoring will then undergo threshold and underwriting reviews. All other projects will be placed on a wait list based on score and/or tie-breakers.

Any threshold or underwriting deficiencies not cured within two weeks of notification will result in OHFA removing the project from consideration. OHFA will then consider the next highest scoring project on the wait list.

### **III. Competitive Selection Process**

Projects will be selected based on the strategic criteria outlined in this section. Points for each criterion will be awarded at the discretion of OHFA, based on how proposed applications meet the intent of the criteria. OHFA may request further supporting documentation for any of the criteria in this section.

OHFA will not prorate points for projects with multiple sites. All sites must meet competitive criteria to earn points.

A total of 30 points are achievable.

#### **A. Policy Priorities 8 Points**

Applications may receive eight points based on their proposed development fitting one of the policy priorities listed in this criterion.

##### ***A1. Preservation of At-Risk Affordable Housing***

OHFA supports the preservation of current affordable housing that is at risk of no longer being affordable.

Proposals seeking points for this category must contain project based rental subsidy for at least 50% of the units and include a narrative explaining why their development is at risk of no longer being affordable. Narratives must address and include the following supporting documentation:

- Current market rents in the primary market area
- Explanation of financial impact on the residents
- Timing of the risk factor
- A history of the property's management and ownership, including the use of replacement reserves and any other rehabilitation or improvements
- Audited financials for the past 3 years
- Evidence of project based rental subsidy

##### ***A2. New Affordable Housing Units in an Area of Targeted Revitalization***

OHFA supports the production of new units of affordable housing in areas of targeted revitalization. OHFA values partnering with local economic development efforts that further leverage the economic impact of OHFA resources, while also assisting in the revitalization of local communities.

Proposals seeking points for this category must provide a letter from the local municipality that confirms the area is targeted for revitalization, including what has been accomplished to date, what is being planned in the future, and any funds already committed for future investment.

**A3. Rental Assistance Demonstration or Choice Neighborhoods Program**

OHFA supports federal initiatives that leverage development and/or rental subsidy for the production of affordable housing developments.

Proposals seeking points for this category must provide a commitment letter for the program they are claiming as a priority.

**B. Financial Characteristics 8 Points**

Applications may receive a score of up to eight points based on financial characteristics.

**B1. Percentage of Hard Construction to Total Development Cost (TDC)**

OHFA supports the investment of HDAP in projects that require the gap financing for hard construction costs. The definition of Hard Construction Costs in the 2014 Multifamily Underwriting Guidelines will be utilized for determining percentages. Points will be awarded on the following scale.

% Hard Construction to TDC	
40%+	4 Points
35-39%	3 Points
30-34%	2 Points
29% and below	1 Point

**B2. Amount of HDAP per Unit**

OHFA supports the leverage of other financial resources. Points will be awarded to those developments which require less HDAP per unit due to the leverage of other resources. Points will be awarded on the following scale.

HDAP per Unit	
\$15,000 and below	4 Points
\$15,001 - \$25,000	3 Points
\$25,001 - \$35,000	2 Points
\$35,001 and above	1 Point

**C. Proximity to Positive Land Uses 8 Points**

OHFA supports developments that are nearby a mix of land uses that are positive for the residents. Proposed developments will be awarded up to eight points based on their distance to positive land uses.

To obtain points in this category, applicants should submit a list of those positive land uses that are being claimed, including linear distance from the site to the positive land use.

OHFA staff may confirm these distances during a site visit.

A development that is adjacent to a detrimental land use may be removed from consideration. Detrimental land uses will be deemed at OHFA’s discretion based on nuisance or otherwise adverse conditions such as high levels of noise, noxious odors, or incompatible uses.

OHFA may give consideration to developments that are within 500 feet of the criteria below.

**C1. PJ Proximities**

- Two points will be awarded to developments within a .5-mile linear distance of a positive land use under the retail category.
- Two points will be awarded to development within a .5-mile linear distance of a positive land use under the services category.
- Two points will be awarded to developments within a .5-mile linear distance of a positive land use under the community facilities category.
- Two points will be awarded to developments within a .25-mile linear distance of an additional positive land use in any of the categories.

**C2. Non-PJ Proximities**

- Two points will be awarded to developments within a 2-mile linear distance of a positive land use under the retail category.
- Two points will be awarded to development within a 2-mile linear distance of a positive land use under the services category.
- Two points will be awarded to developments within a 2-mile linear distance of a positive land use under the community facilities category.
- Two points will be awarded to developments within a 1-mile linear distance of an additional positive land use in any of the categories.

**Chart of Approved Positive Land Uses**

<b>Retail</b>	<b>Services</b>	<b>Community Facilities</b>
Full service supermarket with produce	Bank	Community Garden
Farmers Market	Laundry	Community or Recreation center
Pharmacy	Restaurant, café, or diner	K-12 School (Family only)
	Medical clinic or office	Government office serving public on-site
	Child care (licensed, family only)	Police or fire station
		Public library
		Senior center (Senior only)
		Social services center
		College usable by population
		Place of worship

**D. Experience with 4% Bond Projects and HDAP 6 Points**

OHFA supports development teams that have experience with 4% Bond Projects and HDAP. Because of the complicated process and requirements of the 4% Bond and HDAP programs, OHFA is seeking experienced partners that can place developments into service in a timely manner.

6 points will be awarded to development teams that can evidence that they have placed at least one 4% bond project and at least one project that included HDAP funding into service in Ohio within the last ten years. The completed project must have closed out the HDAP award and obtained form(s) 8609.

4 points will be awarded to development teams that can evidence they have placed at least one 9% housing tax credit project with HDAP into service in Ohio within the last ten years. The completed project must have closed out the HDAP award and obtained form(s) 8609.

If a member of the development team has not been able to complete a project and submit all required final documentation on an award of Housing Tax Credits or HDAP in the past five years, points will not be awarded under this criterion.

#### **E. Strategic Criteria and Tie-Breakers**

OHFA reserves the right to make final funding decisions based on the following strategic priorities:

- OHFA will consider the geographic distribution of resources.
- 50% of OHTF funding must be allocated to Non-PJ areas.
- OHFA will fund, at a minimum, one project that is part of HUD's Rental Assistance Demonstration or Choice Neighborhoods Programs. Projects falling under this criterion must score a minimum of 25 points.
- OHFA will fund, at a minimum, one project that is New Affordable Housing Units in an Area of Targeted Revitalization. Projects falling under this criterion must score a minimum of 25 points.
- The efficient use of resources to reach the program's goal of funding 250 units.

After processing the strategic criteria above, if there are any projects with a tied score, OHFA will award funding to the project that has the smallest amount of HDAP per unit.

### **IV. Final Applications**

Projects that receive an award of HDAP must submit a full 4% application as detailed in the 2014 QAP by the deadline outlined in the BGF program calendar.

Successful applicants will be required to attend a next steps meeting.

In addition to the threshold requirements listed in the 2014 QAP, for non-OHFA issued bonds, the inducement resolution or final approval resolution from the issuer of the bond must be submitted with the full application.

OHFA will consider exceptions to the requirement of submitting 80% plans and specs on a case-by-case basis. OHFA's decision will be based on the scope of work and the applicant's ability to gain access to existing plans and specs. If OHFA allows the exception, the applicant must be able to explain how they arrived at the development budget without having the 80% plans and specs. In addition, OHFA will not begin underwriting until those have been received and reviewed. If approved, OHFA will allow an additional 30 days to submit the documents.

For OHFA-issued bonds, a Letter of Eligibility for Housing Tax Credits will be issued only after the project has received final approval of the Bond issuance by the OHFA Board.