

POLICY PURPOSE

The Ohio Housing Finance Agency’s (OHFA) Office of Program Compliance (PC) aims to ensure the long-term financial sustainability of projects funded through its programs and satisfy requirements set forth in each program’s regulatory framework. To this end, PC’s Division of Asset Management requires many OHFA-funded properties to submit periodic financial information, including internally-prepared and/or independently-audited financial statements in addition to other property-level information.

This policy provides a detailed description of each OHFA funding program that falls under the Division’s purview, either by regulatory directive or OHFA determination. A list of submission requirements follows each program description, including the required frequency of such submissions. Lastly, this document details the specific metrics by which properties will be assessed and procedures the Division will follow when an asset fails to perform.

MONITORED PROPERTIES

OHFA assesses projects funded through a variety of multifamily programs. Projects with a first mortgage provided through the Multifamily Lending Program (MLP) require a heightened level of financial scrutiny. All other OHFA-funded projects will be subject to traditional, annual asset management review. The below table summarizes projects under the purview of asset management and associated reporting requirements:

FUNDING SOURCE	REPORTING
Multifamily Lending Program	Quarterly
American Recovery and Reinvestment Act (TCAP/TCE)	Annual
HOME Investment Partnership Projects with 10+ HOME-assisted units	Annual
National Stabilization Program (NSP) I and NSP III	Annual
Low-Income Housing Credit (LIHTC) projects funded in 2018 and beyond	Annual
Other OHFA-funded projects determined to require review	Annual

MULTIFAMILY LENDING PROGRAM

OHFA uses R-TCAP and OHFA general funds to provide permanent, first mortgage financing otherwise unavailable in the private market for newly-funded and existing LIHTC projects. As the first mortgage, MLP loans require heightened asset management review. In addition, all MLP financing must have an escrowed replacement reserve. All disbursements from the replacement reserve must be approved first by the Office of Program Compliance’s Division of Asset Management. For more information on the Multifamily Lending Program, click [here](#).

Submission Requirements

For each calendar quarter listed below, the ownership entity must submit the following documentation:

- Internally-prepared financial statements including a balance sheet, income statement, change in partners' capital, and statement of cash flow. The balance sheet must end on the last day of the submission quarter. In addition, the owner must provide the following:
 - Tenant receivable aged report
 - Accounts payable aged report
 - Replacement reserve account balance
 - Operating reserve account balance, if applicable
- Monthly tenant rent rolls for each month in the submission quarter indicating the number of vacant and reoccupied units each month.
- Certificate of insurance for liability and property-casualty coverage
- Evidence of paid property taxes for the prior year (county auditor website printout)
- Solely with the 2nd-quarter submission, independently-audited financial statements for the previous year's operations including a balance sheet, income statement, change in partners' capital, and statement of cash flow. The balance sheet must end on the last day of the previous year.

Review Frequency

Properties funded through the Multifamily Lending Program will be subject to quarterly financial reviews. The following reporting periods and submission dates are as follows:

- | | |
|---------------------------------------|------------------------------|
| • Quarter 1 (January 1 - March 31) | Submission Due: April 30 |
| • Quarter 2 (April 1 - June 30) | Submission Due: July 31 |
| • Quarter 3 (July 1 - September 30) | Submission Due: October 31 |
| • Quarter 4 (October 1 – December 31) | Submission Due: January 31st |

Replacement Reserve Account Disbursements

Owners of properties funded through the Multifamily Lending Program are required to seek approval from the Division of Asset Management to disburse monies from the replacement reserve account, even if OHFA is not managing the reserve account. For disbursement, the owner must send the following information to the Division:

- A certification pledging that all work for which reimbursement is requested has been completed
- Copies of invoices
- Certified lien waivers, as applicable

ALL OTHER PROJECTS

American Recovery and Reinvestment Act (ARRA) Projects

Tax Credit Exchange/Section 1602

The Tax Credit Exchange (TCE) program—also known as the Section 1602 grant program—was authorized by Division B §1602 of the American Recovery and Reinvestment Act and administered by the U.S. Treasury Department to allow states to exchange some of their allocated Low-Income Housing Credits (LIHTCs) for cash grants following a dramatic decline in credit pricing. §1602(c)(3) authorizes OHFA to perform asset management functions on TCE-funded projects:

“The State housing credit agency shall perform asset management functions to ensure compliance with section 42 of the Internal Revenue Code of 1986 and the long-term viability of buildings funded by any sub-award under this section.”

Tax Credit Assistance Program

The Tax Credit Assistance Program (TCAP) program was authorized by Division A Title XII of ARRA. TCAP provided OHFA with approximately \$83 million in gap financing for projects allocated LIHTCs between 2007 and 2009. Similar to TCE, the law requires OHFA to perform asset management functions:

“...the housing credit agency shall perform asset management functions, or shall contract for the performance of such services in either case, at the owner’s expense, to ensure compliance with section 42 of the IRC of 1986, and the long-term viability of buildings funded by assistance under this heading.”

HOME Investment Partnership Program

The 2013 Final HOME Rule as implemented through [24 C.F.R. §92.504](#) requires projects that received HDAP financing through the HOME program with 10 or more HOME-assisted units undergo periodic financial review throughout the affordability period. 24 C.F.R. §92.504(d)(2) details the regulatory requirements:

“During the period of affordability, the participating jurisdiction must examine at least annually the financial condition of HOME-assisted rental projects with 10 units or more to determine the continued financial viability of the housing and must take actions to correct problems, to the extent feasible.”

National Stabilization Program

Projects funded through the Neighborhood Stabilization Program (NSP) through NSP1 and NSP3 are required through individual funding agreements to provide audited financial statements within 30 days of a written request from OHFA.

Low-Income Housing Credit Program

Low-Income Housing Credit (LIHTC) projects funded through the 2018 Qualified Allocation Plan and subsequent years are required to submit annual audited financial statements throughout the 15-year Compliance period and audited or internally-prepared financial statements during the Extended-Use Period, depending on availability and requirements from lenders and other stakeholders.

Other OHFA-funded Projects Determined to Require Asset Management Review

Other OHFA-funded projects may require OHFA Asset Management review in order to determine and/or track financial performance. Unless otherwise specified, these projects will be required to produce annual audited or internally-prepared financial statements depending on availability and requirements from lenders and other stakeholders.

Submission Requirements

Independently-audited and internally-prepared financial statements for the previous year's operations including a balance sheet, income statement, change in partners' capital, and statement of cash flow. The balance sheet must end on the last day of the previous year. In addition, the owner must provide the following:

- Tenant receivable aged report
- Accounts payable aged report
- Replacement reserve account balance
- Operating reserve account balance

Review Frequency

OHFA-funded properties subject to Asset Management review will be subject to annual financial review. The following reporting periods and submission dates are as follows:

- Annual (January 1 – December 31) Submission Due: April 30th

SUBMISSION PROCESS

All documentation should be e-mailed to the Office of Program Compliance's Division of Asset Management at assetmanagement@ohiohome.org by the aforementioned dates. The division will review all information for completeness and issue receipt of the submissions. Submissions with faulty information will be returned to the sender for correction.

REVIEW PROCESS

All projects that must undergo asset management review will be assessed by the Office of Program Compliance's Division of Asset Management. The following metrics will be reviewed to gauge project performance:

- Debt Coverage Ratio
- Income-to-Expense Ratio
- Physical Vacancy Rates
- Economic Vacancy Rates
- Replacement and operating reserve account levels

The information from each project will be uploaded into a master spreadsheet to measure the performance of the entire portfolio. A narrative with supporting documentation will be written and presented to the OHFA Multifamily Committee. On an individual project basis, the Division will evaluate a project's performance and will make note of any items that are at or below the established performance levels.

Troubled Assets

For those projects that have persistent issues of performance, OHFA will work with the individual projects in the following manner:

- The Senior Asset Manager or Portfolio Analyst will request written clarification from the Managing General Partner as to the nature of the deficiency and how it plans to correct the issue. OHFA may require certain action steps are taken by the Managing GP and/or property management company.
- The Senior Asset Manager and other OHFA staff will evaluate the General Partner response for completeness and appropriateness.
- If the problem persists, OHFA may place an underperforming property on the OHFA Watch List and meet with the Managing General Partner(s) to help the project develop a Management Action Plan that will detail how it will address the issues concerning the property that could affect the long term viability of the project.
- If an owner does not meet the stated goals set forth in the Management Action Plan and issues persist, the project will remain on the OHFA Watch List. Additionally, Management Companies and/or the General Partner(s) may be placed in "not good partnership" status if OHFA determines the organization is not acting in good faith to resolve project issues. Once placed in such a status, the General Partner will be prohibited from accessing OHFA program funding for at least one calendar year.
- On a periodic basis, the OHFA Senior Asset Manager may meet with the project Syndicators and the General Partner(s) to review their properties as to their performance, areas of concern, and if and how OHFA can be of any assistance. OHFA reserves the right to review tenant files and/or inspect units.

CONTACT INFORMATION

Kevin Clark, Acting Senior Asset &
Compliance Services Manager

(614) 752-4550

kclark@ohiohome.org

Adam Rice, Asset Manager

(614) 728-2028

arice@ohiohome.org