

Extended Use Requirements & Monitoring Policy

Effective May 16, 2012

Purpose & Background: In IRC§ 42, the Owner agrees to provide low-income housing for at least 30 years. The Owner receives credits for ten years (credit period), must provide low-income housing under IRS jurisdiction for fifteen years (compliance period), and under the Ohio Housing Finance Agency's (OHFA) sole jurisdiction for an additional fifteen years (Extended Use period). During this Extended Use period of fifteen years, the project must continue to operate as a Housing Tax Credit project, which means leasing units to low income households in accordance with IRC§42 of the Internal Revenue Code. OHFA has some flexibility in how the compliance requirements for Housing Tax Credit projects are applied.

Effective January 1, 2016, properties between the 16th to 30th years of compliance, the Extended Use period, will have both a physical and file review conducted on either a 3 year or 5 year rotation cycle.

Tenant Certifications: The Owner must continue to implement any and all rent and income restrictions, as well as abide by any other terms of restrictive covenant, other OHFA issued funding agreements, and any other relevant local, State, or federal laws. The use of the Tenant Income Certification (TIC) and other OHFA required forms must be used to show that the tenants are properly qualified and that the restrictions are being met. This includes income verification consistent with methods outline by both the HUD 4350.3 Chapter 5 and guidance from the IRS in light of the Housing Tax Credit Program, which must be completed at move in for all new residents occupying low income units. The TIC can be completed in DevCo, OHFA's online database and reporting software, or in compliance software used at the property that includes the TIC.

Once initially income qualified for the Housing Tax Credit (HTC) program, Owners are not required to complete a tenant recertification annually. However if the project has gap financing from an OHFA program that requires recertifications, these will need to be completed as per those program requirements throughout the affordability period defined in the Funding Agreement. Projects with HOME or the Ohio Housing Trust Fund (OHTF) that were allocated by OHFA must complete an annual income certification for assisted units. Gap financing in the form of HOME or OHTF outlines that assisted households must be recertified annually. Certifications include a full third-party certification at years One, Six, Twelve, Eighteen, Twenty-four and Thirty. In the intervening years, income should be self-certified by the household. All income certifications must contain the OHFA Tenant Sworn Income and Asset Statement (PC-E01), the OHFA Student Status Certification (PC-E42) and if needed, the income verifications as outlined above. *Note: Programs such as Section 8 and RD require an annual income certifications. – Requirements for these programs are not waived by this policy.*

For Extended Use properties that do not HOME funds, OHFA does not require the use of the Student Status Certification PC-E42. However, it is recommended for properties intending to apply for OHFA funding in the future, to continue to do annual student certifications for their tenants. If the property has HOME funds the Student Status must verified annual throughout the affordability period for the HOME funds. For a full list of the required forms, review <http://ohiohome.org/compliance/forms.aspx>.

Site Monitoring: OHFA will use an Extended Use Needs Assessment Tool to determine the frequency of site visits. The Assessment Tool will be based upon multiple factors related to the project (e.g. past performance, systemic compliance issues, owner or management company change) and program/property specifics to identify relevant risks and the potential impact of those risks.

The following will be reviewed during site visits:

1. 10% of the occupied units files
2. 10% of all affordable units will have a physical inspection
3. 100% of all building exteriors
4. All projects will be treated as a multiple building project as per the owner election on 8b of the 8609
5. The owner needs to follow the same Housing Tax Credit rules EXCEPT: Unit Vacancy Rule, Available Unit Rule, and Student Rule.
6. If the property has active HOME compliance all requirements and regulations must continue to be followed for the HOME program.

Note: If owners are contemplating resyndication (e.g. new allocation of housing tax credits) to preserve compliance with previously qualified households, all items listed above in #4 and #5 are applicable and owner should self-monitor for compliance.

A written report will be prepared by OHFA and generally sent to the owner no later than 15 business days after the on-site review. *OHFA reserves the right to review additional files and/or inspect additional units and buildings if noncompliance is found.*

If the Owner fails to respond and/or correct any deficiencies noted in the review report, OHFA may recommend the owner, and, if warranted, the property management company, be placed on OHFA's Watch List and/or Not in Good Partnership standing which would prohibit the owner from accessing OHFA program funding.

Owners are cautioned that if the project has federal HOME Program funds allocated by OHFA, the project must continue to abide by the terms of the funding agreement. Projects with HOME funds may be subject to compliance inspections consistent with the 2013 Final HOME rule.

It is important to note OHFA may take legal action against owners who fail to abide by the requirements in the Restrictive Covenant and/or OHFA funding agreements.

Utility Allowances: If an owner is currently using a consumption-based utility allowance, the owner must use another utility allowance methodology as outlined in OHFA's Utility Allowance Policies and Procedures policy ([Utility Allowance Policies and Procedures](#)) when the allowance is due for an annual update. All other OHFA approved utility allowances may continue to be used. During Extended Use, the owner is not required to submit to OHFA for approval any allowance, but it must be updated on an annual basis. However, OHFA reserves the right to request documents regarding the utility allowance. Changes in utility allowances must be completed in DevCo on an annual basis, at minimum as per Internal Revenue Code Section 1.42-10.

Annual Reporting: OHFA requires that all properties in Extended Use report annually, this is done with a submission of the Annual Owner Certification and Tenant Data through DevCo, OHFA's online database and reporting software. The deadline for annual reporting is typically on or around March 1st of each year and must cover activity at the property from January 1st to December 31st of the reporting year. ([DevCo Homepage](#))

Extended Use properties are required to submit tenant data on all households residing at the property for that reporting year. This will be completed in DevCo, OHFA's online reporting system, and should include all event types: move-ins, transfers, composition updates, rent updates, and recertifications, if applicable. The student (status) update is not required for Extended Use properties. Because a student update is not required, there is still the potential that not every unit will have tenant information reported for the year based on the types of events that occurred in the units.

Restrictive Covenant: OHFA recognizes that projects entering Extended Use may face significant financial challenges. Therefore, OHFA will consider modification requests to the Restrictive Covenant that could help the project become more financially viable. Modifications could include relief from rent and income restrictions. OHFA's guidance regarding covenant modifications or releases can be found at <http://ohiohome.org/compliance/changes.aspx>.