

## Purpose

In carrying out its objective to ensure the long-term sustainability of OHFA-funded projects, OHFA must review requests from current owners to transfer their ownership interests. Ownership transition can substantially affect tenant success, financial performance, and physical conditions at OHFA-funded projects over time through strategic decision making at the project level. Therefore, OHFA carefully processes ownership transfers to review the capacity and performance of new ownership entities.

## Investor Exit to an Existing General Partner/Managing Member

The LIHTC program was designed to provide credits against federal tax liabilities over a designated Credit Period, either 10 or 11 years depending on certain circumstances. Investor exits in the form of limited partner or investor member sales and transfers typically occur after Year 15 of a LIHTC project's life cycle. In many cases, the general partner or managing member purchases or assumes the limited partner or investor member's interest. In these cases—in which the general partner or managing member is not changing—OHFA will only require a limited amount of information in order to process an exit. To process these ownership transfers, the current limited partner or investor member that is seeking to transfer must submit an Ownership Transfer Packet (Packet). The Packet must be received no later than 30 days prior to the proposed change. All Ownership Transfer Packets must be submitted to the OHFA Project Changes Mailbox at [OHFAProjectChanges@ohiohome.org](mailto:OHFAProjectChanges@ohiohome.org). The Packet includes the following items:

1. An Ownership Transfer Form, which can be found on the Asset Management Web site; and
2. A current and proposed table of organization for the ownership entity, including all constituent entities with respective parent organizations; and
3. A sales agreement, letter of intent, purchase contract, assignment of interest or other legal document being used to effectuate the transfer

OHFA reserves the right to ask for additional information at its sole discretion. Other items may include, but are not limited to, the following:

- The Partnership/Operating Agreement or other applicable governing documents and all applicable amendments
- The most recent year of independently-audited *and* internally-prepared financial statements for the affected project including balance sheets, income statements, statements of cash flow, statements of partners' capital, and all applicable supplemental schedules
- The most recent IRS Form 1065 for the lower-tier/operating limited partnership, including Schedules K-1.
- The most recent property appraisal

All investor exit information must be submitted to the OHFA Project Changes Mailbox at [OHFAProjectChanges@ohiohome.org](mailto:OHFAProjectChanges@ohiohome.org).

## Investor Exit to an Entity Unaffiliated with Current Project Ownership

In some cases, the limited partner or investor member may seek to sell to a third-party interest that is unaffiliated with an existing general partner or managing member after Year 15. In these instances, OHFA will require more information than a traditional investor exit in order to review the new ownership entity's background and historical performance. To process these ownership transfers, the current limited partner or investor member that is seeking to transfer must submit an Ownership Transfer Packet (Packet). The Packet must be received no later than 30 days prior to the proposed change. All Ownership Transfer Packets must be submitted to the OHFA Project Changes Mailbox at [OHFAProjectChanges@ohiohome.org](mailto:OHFAProjectChanges@ohiohome.org). The Packet includes the following items:

1. An Ownership Transfer Form, which can be found on the Asset Management Web site; and
2. A current and proposed table of organization for the ownership entity, including all constituent entities with respective parent organizations; and
3. A sales agreement, letter of intent, purchase contract or other legal document being used to effectuate the change; and
4. The most recent four years of independently-audited financial statements for the new ownership entity; and
5. A list of all affordable housing properties in which the new ownership entity holds an ownership interest, including the property name, address, placed-in-service date, date in which the ownership entity first held an ownership interest, number of units, and OHFA project number (if applicable).

OHFA reserves the right to ask for additional information at its sole discretion. Other items may include, but are not limited to, the following:

- The Partnership/Operating Agreement or other applicable governing documents and all applicable amendments
- The most recent year of independently-audited *and* internally-prepared financial statements for the affected project including balance sheets, income statements, statements of cash flow, statements of partners' capital, and all applicable supplemental schedules
- The most recent IRS Form 1065 for the lower-tier/operating limited partnership, including Schedules K-1
- Letters from other state housing finance agencies documenting past and current performance of the proposed ownership entity

All investor exit information must be submitted to the OHFA Project Changes Mailbox at [OHFAProjectChanges@ohiohome.org](mailto:OHFAProjectChanges@ohiohome.org).

### Review Process

OHFA will review all received information and holistically evaluate the proposed new owner against at least two key ownership characteristics. They include, but are not limited to, the following:

1. Past Performance

Previous performance of ownership entities can help predict future success. To assess past performance of a potential new owner, OHFA will analyze the following criteria:

- Recapture of LIHTCs;

- Uncorrected IRS Forms 8823;
- Financial performance of the organization over the past four years;
- Significant contingent liabilities over the past four years; and
- High-risk ratings on a credit report. Please note that OHFA may execute a business credit reported provided by Experian or another qualified business credit bureau.

## 2. Organizational Capacity

The new owner's ability to digest portfolio growth can significantly impact an individual property's performance. To assess organizational capacity of a new owner, OHFA will analyze the following criteria:

- Average length of affordable housing property ownership
- Size of the owner's current affordable housing portfolio

## General Partner/Managing Member and Other Sales

All other ownership transfers—including, but not limited to, a transfer or sale of any general partner (GP) interest, Limited Liability Corporation (LLC) managing member, Tenancy-in-Common, or sole proprietorship—must be reviewed by OHFA. To process these ownership transfers, the current ownership entity that is seeking to transfer must submit an Ownership Transfer Packet (Packet). The Packet must be received no later than 30 days prior to the proposed change. All Ownership Transfer Packets must be submitted to the OHFA Project Changes Mailbox at [OHFAProjectChanges@ohiohome.org](mailto:OHFAProjectChanges@ohiohome.org). The Packet includes the following items:

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3. A sales agreement, letter of intent, purchase contract or other legal document being used to effectuate the change; and
4. The most recent four years of independently-audited *and* internally-prepared financial statements for the affected project including balance sheets, income statements, statements of cash flow, statements of partners' capital, and all applicable supplemental schedules; and
5. The most recent four years of independently-audited financial statements for the new ownership entity; and
6. A list of all affordable housing properties in which the new ownership entity holds an ownership interest, including the property name, address, placed-in-service date, date in which the ownership entity first held an ownership interest, number of units, and OHFA project number (if applicable).

OHFA reserves the right to ask for additional information at its sole discretion. Other items may include, but are not limited to, the following:

- Loan documents or promissory notes, including soft loans
- The most recent property appraisal
- The Partnership/Operating Agreement or other applicable governing documents and all applicable amendments
- The most recent Capital Needs Assessment
- Rental subsidy contracts
- The most recent market study

- Letters from other state housing finance agencies documenting past and current performance of the proposed ownership entity

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## Contact Us

For additional information or related questions, please contact the Project Changes Mailbox at [OHFAProjectChanges@ohiohome.org](mailto:OHFAProjectChanges@ohiohome.org)

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