2023

Multifamily Underwriting Guidelines

Office of Multifamily Housing | January 2023

Contents

Introduction

The Ohio Housing Finance Agency (OHFA) will perform underwriting analysis on all applications that request OHFA resources.

OHFA may request further clarification, justification, or documentation for any questions that are identified during the underwriting analysis. At its discretion, OHFA may reduce, alter, or remove items that do not meet the underwriting standards contained in these Multifamily Underwriting & Implementation Guidelines (the Guidelines).

These Guidelines will apply beginning with all 2023 funding rounds. The Guidelines may be subject to change, pending developments in federal and state legislative requirements and/or OHFA policy.

OHFA will underwrite developments according to the funding source sought.

Competitive 9% Housing Tax Credits Underwriting Process

All developments applying for Competitive Housing Tax Credits (HTCs), with or without OHFA gap financing, undergo three underwriting reviews:

1. proposal submission to determine if they are eligible for competitive review;
2. final application prior to issuing a Carryover Allocation Agreement; and
3. at the time the development is placed-in-service and requests Internal Revenue Service (IRS) Form(s) 8609.

Non-Competitive 4% Housing Tax Credits Underwriting Process

All developments applying for Non-Competitive HTCs undergo an underwriting review at application prior to issuing a 42m Letter of Eligibility. A final underwriting review will take place at the time the development is placed-in-service and requests IRS Form(s) 8609.

OHFA Gap Financing Programs Underwriting Process

All developments requesting Housing Development Assistance Program (HDAP) or Housing Development Loan (HDL) program resources will undergo an underwriting review at proposal and again at final application, if applicable. These reviews will coincide with the HTC underwriting. Developments may be subject to additional programmatic underwriting guidelines.

I. Development Budget

A. Development Budget Overview

1. Cost Reasonableness

OHFA will evaluate development cost reasonableness pursuant to the applicable QAP process and may require additional information for developments that exceed expected budget projections based on comparable developments. Developments will be subject to any additional cost requirements imposed by the specific program to which application is made, if applicable.

2. Sources and Uses

Applications must identify all costs, including acquisition, construction, contingencies, reserves, developer fees and other soft costs. All “other” line items utilized in the development budget must include cost explanation. Applicants must classify items funded after construction concludes in the construction sources as post-construction fees and costs.

If the sources exceed costs, OHFA will reduce funding and/or allocation amount(s).

B. Acquisition and Land Costs

For Competitive and Non-Competitive HTC developments, OHFA will subtract the land valuation identified in the appraisal from the total property valuation or the purchase price, whichever is less, to arrive at the allowable acquisition basis.

If the total purchase price is less than the total property valuation, OHFA will use the percentage of the property's land valuation in comparison to the total property valuation to determine allowable acquisition basis. OHFA will limit the property valuation to the as-is restricted valuation.

For developments with project-based rental assistance requesting 4% HTC: Properties that are currently rent-restricted and will remain rent-restricted may seek an exception request to use to the as-is market valuation.

C. Related Party Acquisitions

Owners of existing properties may submit an application for Competitive or Non-Competitive HTC to refinance and rehabilitate a property. Applicants must submit documentation proving adherence to the following conditions at final application or at HDAP closing:

- **HTC**. If seeking Competitive or Non-Competitive HTCs, seller financing is allowable up to the lesser of the purchase price or appraised value.
- **HDAP** If the transaction includes a cash settlement or other consideration to the owner/seller of the property, the development will not be considered for HDAP unless OHFA grants an exception prior to application submission. The applicant must provide each of the following with the exception request:
    - An estimated amount of cash out or consideration to the owner/seller.

A narrative explaining why the additional subsidy is necessary for successful rehabilitation of the proposed project, including an analysis of any costs to pay off or restructure existing debt or other financial obligations, an analysis of those costs must be provided.

OHFA will determine if gap financing is appropriate and necessary for the proposed project. OHFA will not consider exit taxes or payouts to existing limited partners as a justification to support additional gap financing requests.

D. Construction Related Costs

1. Hard Construction Costs

Hard Construction Costs are notated in the development budget in the Affordable Housing Funding Application (AHFA).

2. Minimum Hard Construction for Rehabilitation

The scope of work for all rehabilitation projects must meet the standard of substantial rehabilitation, as defined in the OHFA Design and Architectural Standards.

3. Construction Contingencies

The maximum Hard Construction cost contingency is

- 5% for new construction,
- 10% for rehabilitation, and
- 15% for adaptive reuse

of Hard Construction Costs. OHFA may allow exceptions to this limit if the applicant can demonstrate that another funding source requires a higher contingency.

4. Contractor Fee and Cost Limits

The maximum contractor fee amount is determined and locked-in at either final application or at execution of the signed general contractor agreement. If locking in the contractor fee at execution of the signed general contractor agreement, the applicant must deliver a copy of that agreement and a lock-in request to OHFA within 30 days of the agreement's execution.

Upon lock-in, this amount cannot be increased if costs are higher but is also not required to be decreased if final hard construction costs are lower than underwritten. Contractor cost limits are as the following percent of Hard Construction Costs:

- Contractor Profit: 6%
- Contractor Overhead: 2%
- Contractor General Requirements: 6%

General Requirements includes but is not limited to project management, superintendent, temporary construction sign, field office expense, storage trailers, portable restrooms, temporary utilities, and dumpsters.

OHFA will consider reasonable adjustments to these requirements, not to exceed 14% across general requirements, overhead, and profit, for contractors that are not related parties.

5. Cost Savings

If the final cost certification identifies savings, OHFA will divide such amounts 50%/50% between it and the developer for related party contractor entities and 67% to developers for third-party contractors.

OHFA may take its share in any one or more of the following ways.

- Reduce the development's HDAP award.
- Reducing HTCs, supplementing reserves, achieving deeper income targeting, upgrading specific items in the project, or using the savings to pay down hard debt including HDL and/or Multifamily Lending Program debt.

Owners must contact OHFA prior to requesting IRS Form(s) 8609 or completing their Final Performance Report (HDAP only) regarding the above options.

E. Professional Soft Costs

1. Professional Soft Costs Definition

Professional Soft Costs are defined in the AHFA on the Budget & Costs tab.

2. Professional Soft Cost Limits

Non-Competitive HTC developments may have a total professional soft cost no higher than 25 percent of the total development cost. All other program participants may have a total professional soft cost no higher than 20 percent of the total development cost.

E. Reserves

Unless waived by OHFA, all reserves described herein shall stay with a development at the time of investor exit.

1. Operating Reserves

The minimum Operating Reserve for a development is 4 months of the first stabilized year's projected operating expenses, hard debt service payments, and replacement reserve contributions. The maximum is 12 months of the same.

2. Capitalized Replacement Reserves

Capitalized Replacement Reserves are not permitted for new construction developments, except for adaptive reuse developments and single family development properties intended for eventual tenant ownership.

Lease-purchase properties may include up to $5,000 per unit in capitalized prefunded replacement reserve set aside in escrow to cover major capital expenditures prior to transitioning the home to the buyer. An additional $3,000 per unit may be set aside in escrow to cover closing costs. An independent housing inspector approved by OHFA must complete an inspection before reserves can be accessed.

3. Ongoing Replacement Reserve Contributions

OHFA's minimum replacement reserve amounts by product type are as follows; the below distinctions are based on population served and construction type, not by funding pool:

- Senior, New Construction = $300 per unit
- Family/Service Enriched, New Construction = $400 per unit
- Single Family Homes = $400 per unit
- Senior, Rehabilitation = $350 per unit
- Family/Service Enriched, Rehabilitation = $425 per unit

OHFA may permit an exception to these minimum replacement reserves if required by another funding source. Recipients of HOME funds or National Housing Trust Funds must also comply with the applicable requirements for replacement reserves.

4. Special Reserves

OHFA will allow special reserves if required by HUD or USDA Rural Development to the extent indicated in supporting documentation.

OHFA will permit special reserves for single family developments for wheelchair lifts as an alternative to ramp requirements under accessibility criteria.

II. Development Financing

A. All Sources Identified

Applicants and owners must identify all funding sources, including HTC equity, hard debt, gap financing, seller financing, soft or non-recourse loans, grants, development team contributions, interest during construction and reserves used to fund redevelopment.

B. Commitment Letters

1. Equity Commitment

OHFA will evaluate the conditional equity commitment provided by the syndicator/investor at proposal and final application. Conditional equity commitments must include the following:

- Proposed terms and conditions;
- If seeking HDL, Gross and Net LIHTC equity amounts and net equity pricing;
- Detailed equity installment schedule;
- If seeking HDL, equity contribution with and without HDL (net HDL Interest); and
- If seeking HDL, terms of HDL including rate, term length, collateral, and amount.

OHFA may require adjustments based on comparable, historical, and/or current market conditions and trends.

As a construction source, OHFA will consider equity installments commencing at financial closing up to, but not including, the 100% Construction Completion installment, if applicable.

2. Debt Financing

OHFA will evaluate all funding source terms and may choose to underwrite at different terms for any funding source which OHFA determines will cause unnecessary or excessive subsidy.

Proposal and final applications must include conditional financial commitments for all debt sources.

3. Other Commitment Letters
All other sources identified in the application must include a conditional commitment letter at proposal and final application identifying the funding terms and conditions.

If such other funding sources involve either
- a competitive process that has not yet announced award recipients, or
- Federal or State Historic Tax Credits,
  - A Part I must be submitted with the proposal application

OHFA may allow additional time for applicants to submit a conditional commitment letter, but will not advance a development so long as any are missing. At final application, applicants must provide evidence of an alternative plan to fill the funding gap if unsuccessful in any non-OHFA competitive funding program.

III. Income and Expense Analysis

A. Income and Expense Overview

1. Operating Expense Reasonableness
OHFA will evaluate operating expense reasonableness by comparing application expenses to similar developments, as determined by building type, population served, type of financing, and location, using the most recent Operating Expense Calculator. OHFA may use other data sources to assess operating expense reasonableness.

OHFA may require additional information for developments that exceed expected budget projections based on the comparables and/or make adjustments to match industry norms.

Developments will be subject to any additional expense requirements imposed by the specific program to which application is made, if applicable.

2. Vacancy
For all future operating years, OHFA will assume a 7% vacancy rate to calculate the effective gross income.
- Preservation developments with project-based rental subsidy may submit an Exception Request to use a 5% rate if they can document a strong occupancy/low vacancy history.
- Service Enriched housing developments with project-based rental subsidy for all units may elect to use a 5% vacancy rate (no Exception Request needed).

3. Income/Expense Escalations
OHFA will assume a 2% annual income increase and a 3% annual expense increase. Exceptions will be permitted for properties in which operating subsidy is provided by HUD, RD, or the local public housing authority to achieve break-even operations.

4. Lease Option Agreements
Counties, townships, or municipal/non-profit corporations that are exempted from property taxes under the Ohio Revised Code and will option to lease the property on a long-term basis must submit a Lease Option Agreement for a minimum 35-year term.

B. Expenses

1. Utility Allowances
All utility allowances must conform to OHFA's Utility Allowance Policy.

2. Syndicator Expenses
Reasonable investor/syndicator asset management fees will be permitted as either a capitalized development cost or a "soft" operating expense repaid from available cash flow, after amortizing permanent mortgages before deferred developer fee and soft loan repayments.

3. Service Coordination Expenses and Fees
Service coordination expenses and fees will be limited to $275 per unit per year. OHFA may grant exceptions to Service Enriched developments (including integrated permanent supportive housing), senior developments, or developments that must have a higher service coordination fee based on a federal program requirement.

4. Economic Mobility Services for Residents
Projects enrolled in the HUD Family Self Sufficiency (FSS) Program or report on-time rent payments to credit bureaus through the Esusu platform or similar service may include the following Expenses:

- Family Section 8 Preservation Projects with a HUD-approved FSS plan may include up to $5,000 per month to pay the salary of a FSS Program Coordinator and FSS related costs.
- Newly Constructed family projects that report on-time rent payments to credit bureaus through the Esusu platform may include an expense of $2.00 per unit per month for the Esusu platform or up to $250 per month for a similar service approved by OHFA.

C. Income

1. Rental Income
For developments with project-based rental subsidy, the budgeted rents in the AHFA must match the rental subsidy documentation included in the application submission. Rental subsidy documentation must meet the requirements stated in the Qualified Allocation Plan under “Rental Subsidy Contracts”. At proposal, if estimated rents cannot be provided in a commitment letter, the project will be underwritten at 100% of the current Fair Market Rent. The entity must provide documentation providing the rental subsidy (e.g., HUD, local PHA, etc.) and detail the approved rents/subsidies for the development, and may come in the form of a formal contract, comfort letter, or email from the entity providing the subsidy.

2. Commercial Income
Income from commercial space, including cellphone towers, will not count in the cash flow analysis toward meeting either Hard Debt Service Coverage Ratio (DCR) or non-DCR requirements.

3. Other Income
Fees and other income such as laundry, pet deposits, and parking must be reasonable and comparable to similar properties within the region and the developer’s portfolio. If fees appear unreasonable OHFA may request justification.

D. Debt Coverage Ratio
The minimum acceptable DCR is 1.20 for the first year of stabilized operations. OHFA may make exceptions for the first year of stabilized operations where improved and upward trends in DCR are sustained over 15 years.

The development must maintain an annual DCR above 1.00 during the entire 15-year compliance period. The average hard DCR over the 15-year compliance period must not be greater than 1.5.

OHFA may grant exceptions for Rural Development properties and developments that contain small hard debt amounts.

Projects with no hard debt must demonstrate an average expense coverage ratio of no less than 1.10 over the 15 year compliance period.

E. Subsidy Layering Review

Refer to OHFA's Subsidy Layering Review Guidelines for submission instructions.

IV. Credit Calculation (9% LIHTC Only)

The HTC amount reserved will not increase after the proposal underwriting for Competitive HTC applications. OHFA may require a legal opinion from a qualified tax credit attorney, at the applicant's expense, for any items that do not clearly count as eligible basis.

V. Exceptions

A. Underwriting Exceptions

Underwriting exceptions must be submitted with the applicable application. The following underwriting exceptions to these Guidelines are permitted:

1. **Development Budget: Construction Contingency**
   If the applicant can demonstrate that another funding source requires a higher contingency.
2. **Development Budget: Reserves**
   If different amount required by another funding source.
3. **Development Budget: Cost Containment**
   If higher costs are justified by project type (i.e. adaptive reuse) or circumstances.
4. **Income and Expense Analysis: Vacancy Rate**
   Preservation developments with project-based rental subsidy may request to use a 5% rate if they can document a strong occupancy/low vacancy history.
5. **Income and Expense Analysis: Income/Expense Escalations**
   Properties in which operating subsidy is provided by HUD, RD, or the local public housing authority to achieve break-even operations at the property.
6. **Income and Expense Analysis: Service Coordination Expenses**
   Service Enriched developments, senior developments, or developments that must have a higher service coordination fee based on a federal program requirement.
7. **Income and Expense Analysis: Debt Coverage Ratio**
   Where improved and upward trends in DCR are sustained over 15 years.
8. **Income and Expense Analysis: Debt Coverage Ratio**
   Rural Development properties and developments that contain small hard debt amounts. Developments seeking an exception must demonstrate a legitimate need.

B. Programmatic Exceptions

Programmatic exceptions must be submitted prior to application submission by the deadlines stated in the respective program guidelines or QAP. The following programmatic exceptions to these Guidelines are permitted:

1. **Development Budget: Acquisition and Land Costs**
   Properties that are currently rent-restricted and will remain rent-restricted may seek an exception request to use to the as-is market valuation *(only developments with project-based rental assistance requesting 4% HTC without OHFA Gap Financing).*
2. **Development Budget: Related Party Acquisitions**
   If the applicant recently purchased the property with the expectation of seeking OHFA resources to conduct rehabilitation.

VI. Definition of Cash Flow

In determining any loan payments due to OHFA that may be calculated based on a percent of the project's cash flow, subject to the start date within any loan or mortgage documents, cash flow will be defined as all Gross Cash Receipts to the property minus:

1. Debt service on loans with a superior mortgage position (excluding General Partner and/or partner/partnership notes/mortgages);
2. Replenishment of the Operating Reserve Account up to the maximum of its original established amount through year 10;
3. Payment of any deferred developer fee through year 10 after obligations to Operating Reserve Account are met;
4. Any required payments deposited to or in the established Partnership Replacement Reserve accounts;
5. Asset Management fees required by the Syndicator, if not capitalized; and
6. Supported payments made for the following Project Operating Expenses:
    - Advertising
    - Legal
    - Accounting/auditing
    - Elevator maintenance/operation
    - Heating, lighting and hot water for common areas
    - Water/Sewer – common areas
    - Trash/snow removal
    - Security – requires OHFA approval to be included
    - Decorating
    - Repairs not funded through Replacement Reserve
    - Exterminating
    - Grounds maintenance
    - Maintenance salaries & Payroll Taxes
    - Maintenance supplies
    - Office Supplies
    - Service Coordinator/Supportive Services – requires OHFA approval to be included
    - Property manager salary, payroll taxes
    - Property Insurance
    - Property Taxes
    - Management Fees not to exceed 6% of Effective Gross Income (excluding Management Incentives, bookkeeping fees, compliance fees, bonuses, administrative service fees, incentive fees of any kind, etc.)
    - Owner-Paid Utilities – Units if applicable and common space

"Gross Cash Receipts" means all cash received in any fiscal year from the operations of the Partnership including all government subsidies received by the Partnership, construction contingency, but excluding Capital Contributions, loan proceeds, repayment of rent, security deposits, insurance proceeds, condemnation awards, proceeds from Net Cash from Sales and Refinancing, and any other funds not generated from current Project Operating Expenses. The Partnership definition of "Net Cash from Sales and Refinancing" (or other applicable related term or activity) must be provided to OHFA for review and approval.

Year 10 is calculated from the date / year a project starts construction.

The Cash Flow Loan Repayment Calculation Form can be downloaded from the OHFA website.

VII. Appraisal Requirements

OHFA requires As-Is Appraisals meeting all requirements outlined in these Guidelines. These requirements are applicable to all OHFA multifamily programs.

An appraisal is not required if the applicant is neither

- seeking HDAP funds nor
- including any acquisition costs in eligible basis or the funding request.

An acceptable As-Is Appraisal is either a Summary Appraisal Report or a Self-Contained Appraisal Report (the Report) that meets the most current edition of The Appraisal Foundation's Uniform Standards of Professional Appraisal Practice (USPAP) and must be completed by a Certified General Real Estate Appraiser licensed in Ohio. OHFA must be listed as an intended user. The licensed appraiser must conduct a site inspection for the subject property.

A. As-Is Value Definitions

OHFA requires the appraiser to provide the as-is value as defined below. When a value is determined by the appraiser for existing properties, the appraiser is requested to reflect a total value that can be broken down into a value of the improvements and a value for the land.

All appraisals submitted to OHFA shall at a minimum include the following as-is values, as applicable:

- market with restricted rents for existing properties;
- market with market rents for existing properties; and
- land (unimproved, vacant land value).

OHFA requires the Income Approach for existing properties and the Sales Comparison Approach for unimproved, vacant land. When using the Income Approach, appraisers shall use actual operating expenses to determine value; appraisers may choose to create two appraisals, one using actual operating expenses and a separate one using adjusted operating expenses.

Favorable financing terms and HTCs must not be considered in determining either a cap rate or an as-is value.

Appraiser must identify properties that have physical and locational (nearest location) characteristics similar to those of the subject property. Using sales of comparable vacant land or existing developments from other regions of Ohio is discouraged without a detailed explanation and rationale from the appraiser to support this methodology and approach. Confidential comps may not be used in the appraisal.

OHFA may limit the amount of OHFA resources allocated based on the appraised as-is value.

B. Updates

OHFA may require the appraiser to update its existing appraisal to match these Guidelines or may order an additional appraisal. The cost of the additional appraisal will be paid for by the applicant.

OHFA will accept appraisals, including those from RD and HUD, dated no later than 12 months prior to the funding application deadline. For older appraisals, the appraiser may provide an updated letter if there are no material changes to the development, market, and the update meets USPAP and other appraisal industry rules or guidelines.

C. Ownership of Appraisal

Any appraisal submitted to OHFA in connection with an application will become property of OHFA and may be relied upon for the purposes of determining as-is value and feasibility of the proposed development, regardless of the relationship between the Applicant and appraisal provider.

IX. Market Study Standards

A. Introduction

A market study must be conducted by an OHFA-approved, market study professional. To be approved, market analysts must complete the [Preferred Market Study Provider Application] available on the OHFA website and abide by the NCHMA Model Content Standards for Market Studies for Rental Housing, including use of NCHMA's Market Study Terminology.

OHFA will remove any professional submitting inaccurate information from the list of approved market study providers.

B. Content

At minimum, the market study must include all of the sections as specified in the NCHMA Model Content Standards for Market Studies for Rental Housing. The market study professional must complete and submit the OHFA Market Study Checklist indicating the location of the specified items within the market study.

OHFA may to independently determine if a market exists for the proposed project and to require additional information and/or another market study. OHFA may also contact the market analyst during the review process if any required information cannot be found in the study.

1. Executive Summary

Provide an executive summary that briefly reviews all of the essential market study requirements and recommendations or suggested modifications and key findings to the proposed project. The executive summary should convey all necessary information.

2. Conclusion

Concise conclusion by the author that indicates whether a market exists for the proposed project, including the estimated stable year vacancy rate and the estimated time needed to fully lease-up. The study must provide an explanation if the estimated stable year vacancy rate exceeds 7% and/or the estimated lease-up time exceeds one year.

3. Description of Proposed Site

Description of the proposed project site.

4. Description of PMA

Description and map of the PMA for the proposed project, including the methodology used to determine the boundaries, including an explanation if the PMA include any areas outside of a five-mile radius from the proposed project and a discussion of the health of the overall rental housing market in the PMA. Provide population and household income and housing data if the demographics of the immediate site area are significantly different from the PMA. If an assisted living or independent living development, state the number of units serving that population.

5. Rent Comparison Chart

Create a Derived Rent and Programmatic Rent Comparison Chart showing pro forma and achievable rents ratio to maximum program rents, derived market rents, the current FMR rents, and 90% FMR rents.

6. Income Qualification

Description of the number of income qualified renter households divided by the number units in the PMA(capture rate). The maximum income for this range would assume 1.5 persons per bedroom rounded up to the next whole person. Provide an explanation if this exceeds 10%.

7. Description of Public Services

Description and evaluation of the employers and public services in the PMA, including transportation, police, fire department, schools, day care, library and community center), infrastructure (including roads and traffic), community services (including shopping, restaurants, parks, recreational facilities, hospital, health care facilities, and services for special needs, if applicable. Provide a list of the approximate distances and a map that clearly identifies the location of the project and all public and community services.

8. Description of the Federally Subsidized Developments

Description of the federally subsidized development projects that received Ohio Housing Trust Funds (OHTF), National Housing Trust Funds (NHTF), or HOME funds (HOME) and HTC projects, both operating and not yet placed-in-service, located in the PMA. Provide the current vacancy rate for each project and include the person(s) contacted and the method of contact. Compare the rents, amenities, unit sizes, bedroom sizes, and populations served to the proposed project.

The following information must also be included: name, location, population served, type of design, age and condition, number of units by bedroom type, rent levels, number of bedrooms and baths for each unit type, size (in square footage) of units, type of utilities and whether paid by tenant or owner, unit and site amenities. Comparisons to the subject rents should be based on comparable amenities, utilities, location, parking, and any rental concessions. Identify specific reasons why comparable types are faring poorly in the market, if applicable. OHFA may require projects that receive a reservation to amend their market study to incorporate those other projects receiving an allocation in the same round and are located in the same PMA. Calculate the ratio of subsidized projects that received OHTF/NHTF/HOME funds and HTC units to income eligible renter households.

9. Vacancy Rates

Estimate of the current vacancy rates of the OHTF, NHTF, HOME, and HTC funded projects include only those currently operating located in the PMA during the first stabilized year of the proposed project. Provide an explanation if the estimated vacancy rate exceeds 10% for any project.

10. Comparable Development

Description of comparable market rate developments located in the PMA. Provide the current vacancy rate for each project and include the person(s) contacted for each competing project and the method of contact. Compare the rents, amenities, unit sizes, bedroom sizes, and populations served of the competing projects to the proposed project. The following information must also be included: name, location, population served, type of design, age and condition, number of units by bedroom type, rent levels, number of bedrooms and baths for each unit type, size (in square footage) of units, type of utilities and whether paid by tenant or owner, unit and site amenities. Comparisons to the subject rents should be based on comparable amenities, utilities, location, parking, and any rental concessions.

11. Public Housing Concerns

Evaluation of any concerns or issues from the jurisdiction's PHA. The applicant or market study author must send a letter via certified mail to the local PHA containing a brief description of the project and target population and instructions for the PHA to forward all comments to the market study author within 30 days from receipt of the letter. If the PHA does not respond to the letter or comments are submitted after 30-days, the author does not need to analyze the issues or concerns of the PHA. Include in the market study a copy of the letter, certified mail receipt, and copies of any letters from the PHA.

12. Financial Interest

An executed original Market Study Certification that the market analyst has no financial interest in the proposed project. Financial interest is any compensation other than the fee for preparing the market study and the fee is not be contingent upon the proposed project being approved.

13. Data Sources

A list of all data sources used in the study.

C. Assisted Living Developments

The market study must be customized to the affordable and assisted living markets, including an analysis of market penetration rates and competition. If the proposed development includes both assisted and independent living units, the market study must individually address both markets. The market study provider must have prior experience performing studies on assisted living properties.

The market study will determine if specified assisted living housing will be compatible in the selected area and meet the needs of seniors.

In addition to the above, Assisted Living market studies shall also include:

- Projected resident characteristics including the following
    - The average age at assisted living entry;
    - AMGI level and income sources;
    - Residents per unit;
    - Medicaid-defined level of care.
- Residents needing assistance with any of the following: Dressing, Bathing, Hygiene, Transportation, and/or Meals.
- Resident monitoring and amenities offered. Examples include meals, housekeeping, medication assistance, personal care services, medical services, transportation, 24 hour onsite management, laundry service.
- Comparable unit amenities, such as security systems, walk in closets, roll in showers, personal emergency response systems, private patio or balcony, additional storage.
- Market area demand and trends including a five-year growth forecast for the area within an 11 mile radius. Provide an explanation if information needs to be pulled from a larger geographical area.
- Growth forecasts that include population increases, demand for assisted living and independent living, aging population demographics
- Neighborhood amenities such as:
    - Location of amenities – close proximity to community activities & services
    - Fitness center – located on site or at a nearby recreation center
    - Library – located on site or nearby
    - Computer center – located on site or nearby
    - Common outdoor areas
    - Health care facilities and pharmacies
- Waiting list length at comparable facilities in the PMA.

X. Assisted Living Policy

The following requirements apply to Assisted Living (AL) in addition to existing underwriting and eligibility requirements unless otherwise noted. This policy does not apply to bond transactions that do not utilize any other OHFA resources.

Eligible Programs

- Non-Competitive/4% HTC
- Multifamily Lending Program (MLP)

Ineligible Programs

- Housing Development Assistance Program
- Housing Development Loan
- Competitive/9% HTC
- All other programs not specifically enumerated without written OHFA exception

Experience (gained either inside or outside Ohio)

- **Developer**: At least one AL development licensed and certified or otherwise approved to accept Medicaid Assisted Living Waivers ("AL Waiver").
- **Operator**: At least two years operating HTC. At least two years operating AL after initial lease up, including accepting AL Waivers. HTC and AL experience may be obtained in separate developments.

All entities may partner with an existing provider to gain necessary experience.

Affordability & Medicaid Assisted Living Waivers

Development must accept applicants “off the street” and cannot condition residency on ability to pay privately for any length of time (e.g., cannot require “spend down” or “divesture” as a condition of tenancy). All developments must accept AL Waivers.

Independent Living Units

Non-AL, Independent Living (IL) units may be funded without separate HTC application provided all AL underwriting criteria, including but not limited to the higher Debt Coverage Ratio (DCR), is met for the whole development.

Application Fee

A $5,000 application fee will be assessed in addition to all standard fees.

Reserves

OHFA will require a 15% increase to operating and replacement reserves; this requirement will be waived where the investor imposes comparable risk mitigation requirements.

Lease

All units must have a written lease agreement with the resident that complies with the requirements in 26 U.S. Code Section 42 and OAC 5160-44-01.

Design

Design requirements in the OHFA Design and Architectural Standards, shall apply.

%Facilities may be deemed a Residential Care Facility under OAC 3701-16, and classified as an Assisted living facility (Group I-1) under OAC 4101:1-3, Section 308 and, if so, shall meet all requirements thereof.

Services

All services must be optional and residents must have freedom to choose the service provider(s). Operator must give residents a statement regarding choice of service provider with 3701-17-57E notice and comply with person-centered planning outlined in OAC 5160-44-02.

Residency cannot be denied due to a person’s ineligibility for Medicaid AL services. Because a health screening and annual assessment are a condition of occupancy as required by the Ohio Department of Health’s licensure, any charge for this service must be included in gross rent for purposes of section 42(g)(2)(A).

Nursing

Developments shall not make available continual or frequent skilled nursing, medical, or psychiatric services. Intermittent skilled nursing care provided for 120 days or less pursuant to OAC 3701-16-02 may not constitute “continual or frequent” nursing. Skilled nursing that is privately contracted for by the resident and not made available by the development is not implicated in this requirement. OHFA is not accepting applications containing Memory Care facilities.

Underwriting Considerations

The following underwriting requirements will be applied:

- **Service Income**: Service income will be underwritten at the current Medicaid per diem rate, including an underwriting assumption of one resident per unit (double occupancy is permitted).
- **DCR**: DCR must average 1.3 or higher for the affordability period.
- **Reserves**: Reserves in excess of those required for AL developments that are mandated or otherwise approved by OHFA may be excluded from cost containment analysis.
- **Cost Containment**: No other waivers will be granted on cost containment criteria.

Market Study

See requirements for AL market studies in the Market Study section of these guidelines.

Other Application Requirements

The funding application must also provide the following:

- Owner and Operator's licensing history summary, inspection history summary, and most recent inspection and licensing report(s);
- Development's lease up plan including financing arrangements;
- Development's tenant selection plan, including the conditions under which a two-bedroom unit will be rented to one person, if any;
- Development's plan to enable residents to exercise service provider choice;
- Development's policies and procedures for operation including policies and procedures required to meet the Ohio Department of Health Residential Care Facility licensure standards (OAC 3701-16-01 through 3701-16-18) and the Ohio Department of Aging assisted living waiver provider certification standards (OAC 173-39-02 and 173-39-02.16); and
- Development's plan to fully integrate residents into the local community, including compliance with Home and Community Based Services regulations as outlined in OAC 5160-44-01.

Training

Awardees may be required to attending a training and/or Development Next Steps Meeting upon receipt of funding award.

Application Notice

Applicants that intend to submit an application for AL must contact OHFA at least 45 days prior to the submission date. OHFA may publish the location of any proposed site(s) to prevent overlapping market areas for different applications.

Waiver

OHFA may waive any requirement(s) for proposals that do not use HTCs.

Information Sharing

As permitted by law, applicants must consent to the sharing of information between all government agencies OHFA deems necessary for efficient compliance and oversight.

Legal

All developments must maintain Residential Care Facility licensure issued by the Ohio Department of Health, Ohio Department of Aging certification as an AL Medicaid provider, and conform to all applicable laws existing and/or as may be enacted at any point during the affordability period.

Indemnification

Owner must provide OHFA with an unlimited indemnification in all property operations and with regard to the performance of all services provided to the residents regardless of whether owner provides the services to the residents or contracts with another entity to provide the services. The resident rental agreement must include preapproved hold harmless language in favor of OHFA with regard to any and all matters.

Disclaimer

OHFA makes no representation as to Internal Revenue Service eligibility of proposed developments. Developments must provide a legal opinion. In the event that a development proposes continual or frequent skilled nursing, medical, or psychiatric services, OHFA may require a private letter ruling at developer expense.

OHFA makes no representation as to the availability of AL Waivers or of any applicant's eligibility for that program.