

To: All Interested Parties

From: Ohio Housing Finance Agency (OHFA)

Date: July 2, 2024

RE: **4% LIHTC QAP**
Frequently Asked Questions (FAQ) as of July 2, 2024

FAQ Background

The following is a summary of questions received regarding the 4% Low-Income Housing Tax Credit (LIHTC) Qualified Allocation Plan (QAP). Combined with similar questions from various individuals, questions were edited for style and removal of identifying details. The answers posted herein clarify and modify the guidelines and will be considered during the program round.

Related-party Acquisitions

Q: The guidance within the QAP seems to imply the related-party acquisitions rule is primarily applicable to existing properties rather than land-only transactions. It's evident seller notes for a building carry credit benefits. Is OHFA's stance on a land sale (i.e., with no structures) from a related party also subject to no cash-out restrictions with only the ability to capture the value (if any) via a seller note based on the appraised value?

A: The cash-out prohibition on related-party transactions does not apply to applications seeking only 4% LIHTCs. *(Added December 11, 2023, and revised February 1, 2024)*

Resyndication

Q: What year of the extended use period must a LIHTC project be in if it wants to apply for resyndication?

A: There is no language in the guidelines limiting the ability of prior LIHTC projects to resyndicate as long as they meet the federal LIHTC requirements (i.e., The subject property if already LIHTC has exited its 15-year compliance period.). *(Added December 11, 2023)*

Scope of Work

Q: Is the scope of work required only for rehabilitation and adaptive use projects?

A: No, the scope of work is required for all projects (e.g., new construction, rehabilitation, and adaptive use projects) at final application and Form 8609. *(Added December 11, 2023)*

Deficiencies

Q: Are application deficiencies curable?

A: OHFA will allow a cure period of two business days for pre-application deficiencies.

Per page 8 of the QAP, final applications that do not meet all minimum financial and threshold review criteria must be resubmitted in whole as a new application. Applicants must resubmit within the applicable yearly open window or they will be required to submit the following year using the most recently approved guidelines. Applicants required to resubmit new applications will not be required to resubmit pre-applications if they are already approved in the yearly open window.

If it passes the minimum financial and threshold review, the application will undergo a full threshold, underwriting, and architectural review. During this process, the assigned OHFA analyst will draft a review letter detailing any deficiencies the applicants will have two weeks to cure. Deficiencies must be cured; otherwise, the application may be rejected. *(Added December 11, 2023, revised February 1, 2024 and July 2, 2024.)*

Experience and Capacity

Q: Which entity will OHFA evaluate for experience and capacity?

A: Prior to page 19 of the QAP, OHFA staff will evaluate the experience and capacity of the legal entity named as developer and co-developer (if applicable) in the Affordable Housing Funding Application (AHFA). If the legal entity is a single-purpose entity, the parent entity of each developer and co-developer (if applicable) in the AHFA will be evaluated. In addition, OHFA will review the parent entity of each general partner if the LIHTC ownership entity is a limited partnership or managing member if the LIHTC ownership entity is a limited liability corporation (LLC). *(Added December 11, 2023, and revised February 1, 2024.)*

Q. What is OHFA looking for in organizational charts?

A. At pre-application, OHFA requests an organizational chart documenting the internal structure and organizational hierarchy of the developer, co-developer, and parent entities of the single-purpose entity's general partner(s) or managing member(s).

Please note that OHFA is not seeking the proposed LIHTC ownership entity's organizational chart at pre-application. The organizational chart is due at final application in accordance with page 23 of the 4% LIHTC QAP. *(Added February 1, 2024)*

Application Process

Q. What notifications does OHFA require for projects seeking to submit a 4% LIHTC application?

A. Per page 6 of the 4% QAP, applicants must contact OHFA 30 calendar days prior to submitting a pre-application. The notification must include the project name, city and county in which the project will be located, construction type (e.g., new construction, rehab, adaptive reuse), population served, number of units, developer name, and the name and email address of the primary contact for the developer. *(Added July 2, 2024)*

Q. How long does the application process take from notification to 42(m)?

A. As detailed in the 4% LIHTC QAP, applicants must provide 30 days of notification to OHFA prior to submitting a pre-application. Once OHFA has reviewed the pre-application, results will be provided in writing and a two-day cure period will be provided for any deficiencies. Once approved at pre-application, applicants shall submit their final application within 90 days. A final application will first undergo a minimum financial and threshold review. If an application does not meet all minimum financial and threshold review criteria, the applicant must resubmit a new application in whole. Upon approval of minimum financial and threshold review, a full threshold, underwriting, and architecture review will be completed. Applicants will have two weeks to cure any outlined deficiencies. Additionally, an architectural review for compliance with the most recent Design and Architectural Standards (DAS) will be performed prior to issuance of a 42(m). Current timing for this entire process is expected to be eight to 12 months. Applicants should plan accordingly. *(Added July 2, 2024)*

Q. Can applicants receive additional time to submit their final applications?

A. OHFA would like developers to submit their final applications within 90 days of their preapplication approvals to keep projects moving forward. To that end, OHFA encourages developers to wait until final applications are complete before submitting the pre-applications. However, OHFA also understands circumstances outside of the developers' control may delay submissions. Developers must contact OHFA before established deadlines to request extensions. OHFA will consider allowing a 30-day first extension. Additional extensions will be considered on a case-by-case basis.

OHFA reserves the right to require developers to start the process over based on the justifications for the extensions or the number of extensions requested. OHFA is working to manage the project pipeline to avoid a significant number of applications being submitted the day the application window closes, which will further slowdown project-review completions. *(Added July 2, 2024)*

Q. Can a development team seek an inducement resolution for OHFA-issued bonds before a developer submits an application for 4% LIHTCs?

A. Yes. Inducement resolutions communicate OHFA's non-binding intent to issue such bonds and allow for the reimbursement of pre-development costs with bond proceeds up to 60 days prior to the date of inducement. Projects qualify for 4% LIHTCs as long as at least 50% of the project's aggregate basis is financed with qualified residential rental private activity bonds as detailed in 26 U.S.C. §142(d). Applicants should review the [Multifamily Bond Financing Guidelines](#). Additional information will be required to be provided to OHFA one month prior to an OHFA Board meeting. *(Added July 2, 2024)*

Q. What are the fees associated with 4% LIHTC?

A. See below for the fee schedule. *(Added July 2, 2024.)*

LIHTC/Bonds:

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|---------------------------|--|
| Final Application | \$3,500 |
| Reservation Fee | 6% of reservation amount |
| Bond Issuance Fee | 1/10 of 2% of the bond amount OR \$3,000, whichever is greater |
| Increase in 4% HTC | 6% of the increased allocation amount (additional) |
| Form 8609 Resubmission | \$250 |
| Compliance Monitoring Fee | \$2,400 per unit |

Housing Development Loan (HDL) Program: As detailed in the [current HDL Guidelines](#):

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|-------------------|---|
| Final Application | \$600, due at Final Application submission |
| Closing | \$1,000 for each Limited Partner (LP), due at closing |

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|--|---|
| Loan Servicing | \$1,000/year, full amount due at closing. <i>OHFA will not reimburse this fee if the loan pre-pays.</i> |
| Loan Commitment Extension (<i>if commitment has expired</i>) | \$1,000 annually, pro-rated monthly |
| Loan Commitment Reinstatement | \$250 |
| Adding Limited Partners/ Amortization Schedules | After OHFA Board approval but before closing: \$1,500 per LP |
| | After submitting a closing request: \$2,000 per LP |
| | Each amortization schedule after the first: \$1,000 per LP |
| Changes in Legal Documents | \$250 |
| Checks that do not clear due to insufficient funds | \$25 |

Financial Capacity

Q: For sole proprietorship developers, what should be submitted for audited financials?

A: Audited financial statements should not be submitted. A financial capacity analysis spreadsheet must be completed by the accounting firm that prepared the audited financial statements for the lead developer and any co-developers (if applicable), the CFO, or an authorized representative when audited financial statements are not available. (*Added December 11, 2023*)

Q: Is a tax return acceptable if there are no audited financials for a developer?

A: Tax returns should not be submitted. A financial capacity analysis spreadsheet must be completed by the accounting firm that prepared audited financial statements for the lead developer and any co-developers (if applicable), the CFO, or an authorized representative when audited financial statements are not available. (*Added December 11, 2023*)

Competitive Sources

Q: How does OHFA consider competitive sources?

A: OHFA does not consider competitive sources that have yet to be secured as financial commitments. According to [26 U.S.C. §42\(m\)\(2\)\(B\)](#), housing credit agencies like OHFA must evaluate the sources and uses, LIHTC benefits, project costs, and operating expenses at application to determine that an LIHTC request does not "... exceed the amount the housing credit agency determines is necessary for the financial feasibility of the project" OHFA cannot make a determination based on the potential for future funding; therefore, any requirements from a prospective funding source should also not be considered. Applicants must include a commitment of funds for all sources during application. (*Added December 11, 2023*)

Total Development Cost

Q: in regard to the total development cost (TDC) limit, what is the definition of "total development cost"?

A: Total development cost is the sum of acquisition, predevelopment, site, hard construction, interim/finance, professional fees, compliance, and reserve costs. TDC includes the cost of all items that

will be considered within the legal description incorporated as part of OHFA's LIHTC restrictive covenant. For a detailed list of items, please refer to the Budget & Costs tab in our [AHFA](#). *(Added December 11, 2023)*

Zoning

Q: Does OHFA have a suggested format or language for the zoning letter from a local municipality? What authority within a local municipality would OHFA accept as a signatory?

A: OHFA does not require use of a zoning letter template. Language should conform to the requirements in the QAP. A letter from a municipality should be from an individual with the authority to issue a zoning determination, such as a zoning official. *(Added December 11, 2023)*