BGF Technical Assistance Session

We will begin shortly.

(Don’t go anywhere!)

Welcome!

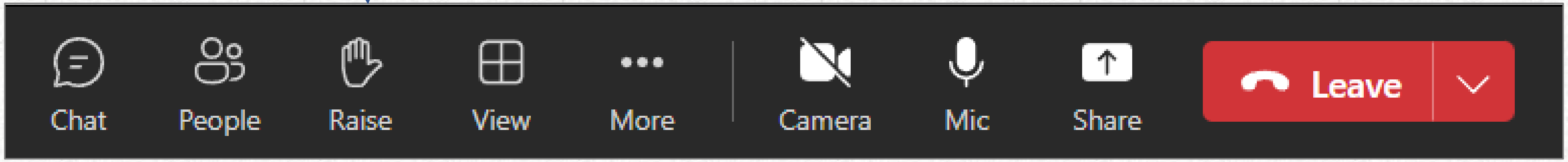
Thanks for joining us.

OHIO HOUSING FINANCE AGENCY

Housekeeping

- All attendees are currently muted, but we will unmute for all comments and questions.

- **Questions are encouraged and expected!** There are two ways to ask questions:
  1. Raise your hand and we'll unmute
  2. Submit a written question in the chat



OHIO **HOUSING** FINANCE AGENCY

Housekeeping

- When OHFA staff unmute for comment, make sure your mic is unmuted. Please be respectful!

- **This is not the forum to provide comments on policy.** Comments on guidelines will be accepted in 2024 (read: not now)

Who are we?

Taylor Koch
4% LIHTC Section Chief

Kathy Berry
4% LIHTC Analyst

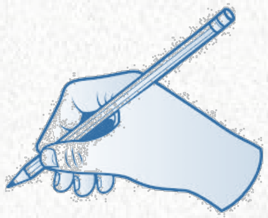
Karen Banyai
4% LIHTC Analyst

Kevin Neisch
4% LIHTC Analyst

OHIO HOUSING FINANCE AGENCY | Purpose

What is the purpose of this meeting?

1. Assist applicants with any BGF questions



2. Lead to more compliant applications

3. Maximize affordable housing outcomes

Agenda

1. Reminder for the Groggy: What is BGF?
2. Pre-Application Submission
3. Restricted and Assisted Units
4. NHTF Minimum Threshold
5. Developer Fee Standards
6. Discount to Market Rent

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What is BGF?

BGF = Bond Gap Financing

4% Low-Income Housing Tax Credits

+

"Soft" Gap Financing

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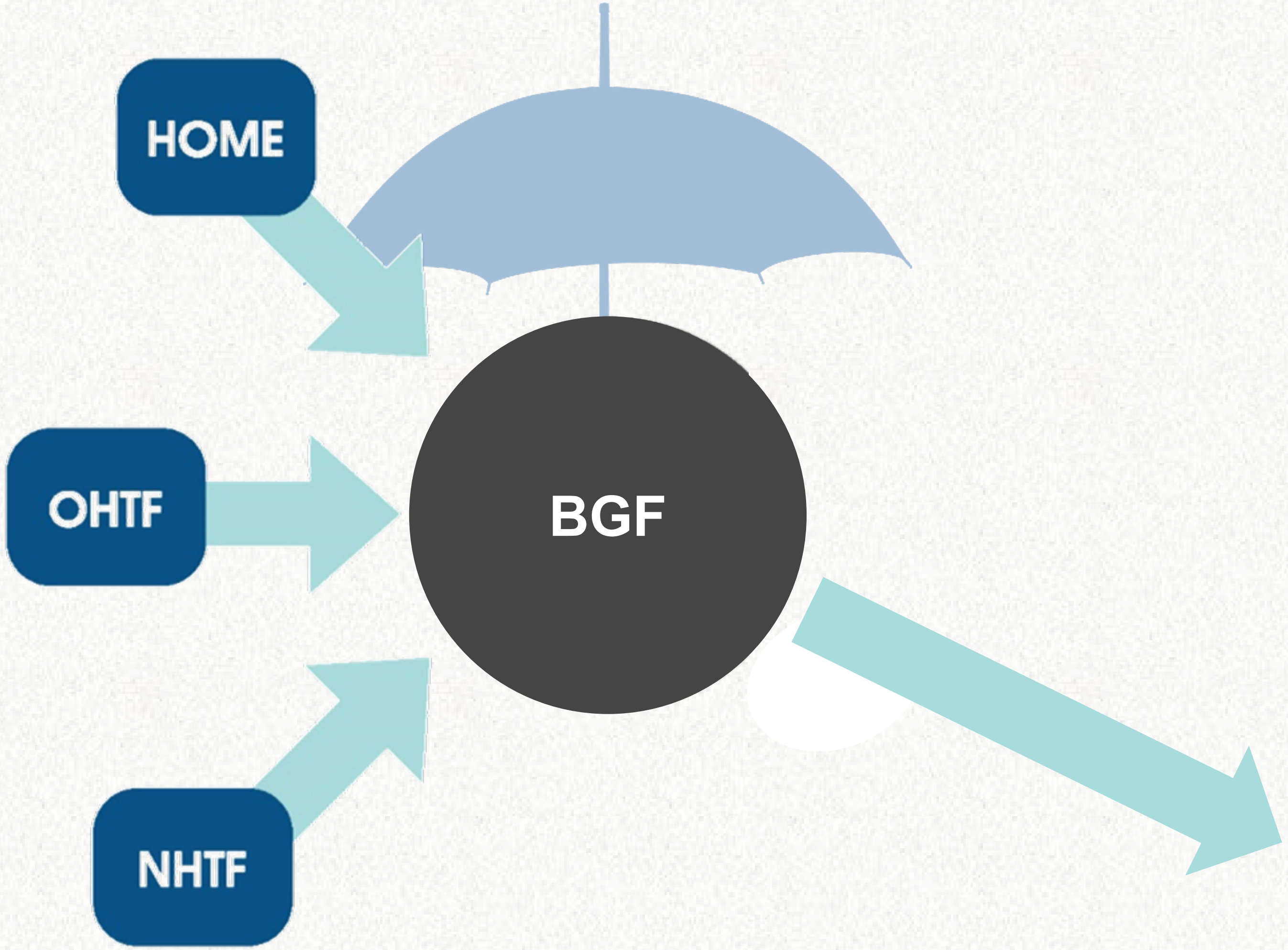
BGF Sources



Traditional 4% Deal

Sources	Uses
Non-Competitive 4% LIHTC Equity	Total Development Costs
First Mortgage	
Deferred Developer Fee	
[Financing Gap]	

Pre-Application Process: Due Next Thursday, August 24th

1. Development Team Experience & Capacity Review
   - Financial Capacity Information (completed by the developer's third-party accountant)
   - Experience and Capacity Review Spreadsheet
   - Lien and Litigation Report (dated within 30 days of Pre-Application)
   - Developer Audited Financial Statements (last three years)
2. Programmatic Exception Requests
3. Basic project information/Proposal Summary
4. Site and Neighborhoods Standards Forms
5. Unit Comparability Form

State Required HDAP-**Restricted** Units

Per the Ohio Consolidated Plan, any amount of HDAP triggers “HDAP Restricted” units, which are defined as the following:

- **Project located in a PJ**: ≥ 40% of all units must be affordable to households with income ≤ 50% AMI.
- **Project located outside of a PJ**: ≥ 35% of all units must be affordable to households with income ≤ 50% AMI.

Federally Required HDAP-**Assisted** Units

All sources of HDAP follow the HOME cost allocation methodology that result in a number of Assisted Units based on the amount of HDAP.

- **HOME and OHTF** yield Assisted Units that are either High HOME (lower of 65% AMI or FMR) or Low HOME (lower of 50% AMI or FMR). Low HOME units are triggered when five or more HOME-Assisted Units are needed, then 20% must be Low HOME.
- **NHTF**: yields Assisted Units that are all ≤30% AMI

How do you calculate Assisted Units?

HUD lays this out in CPD-16-15. OHFA uses the **Proration Method** for comparable units and the **Standard Method** for non-comparable units.

- Step 1: Divide the HDAP request by HDAP Eligible Costs (TDC net of HOME ineligible costs). This gets you a percentage called the **HDAP Share Ratio**.

- Step 2: Multiply the HDAP Share Ratio by each unit type. This calculates the absolute minimum number of Assisted Units

How do you calculate Assisted Units?

- Step 3: Divide (TDC net of HOME-ineligible costs) by the gross residential square footage of the project. This is your **Base Cost per Square Foot**.

- Step 4: Multiply the Base Cost per Square Foot by the average square footage of each unit type. Then, multiply this by the minimum number of Assisted Units by unit type (from Step 2). This determines the cost of Assisted Units for each unit type. Add these all together to get the **Total Cost of Assisted Units**.

How do you calculate Assisted Units?

- Step 4: Calculate the **Maximum Project Subsidy**, which is the federal per-unit maximum found on page 11 of the BGF Guidelines multiplied by the number of Assisted Units for each unit type.

- Step 5: The maximum amount of HDAP is limited by the lower of the (1) Maximum Project Subsidy or the (2) Total Cost of HOME Units. **If either of these are lower than the HDAP request, you must continue adding Assisted Units until both metrics are at or above the HDAP request.**

Confused yet?

- Luckily, HUD has a HOME Cost Allocation Tool, which is a spreadsheet to help you calculated Assisted Units.
- If you try this, use the Proration Method – Units Needed for projects that have comparable units (the overwhelming majority of projects) or the Standard Method if units are not comparable
- OHFA is working to get a simpler version of this spreadsheet into the AHFA, but this calculation is the calculation.

Can Restricted and Assisted Units Overlap?

- Yes! You will automatically have 35% - 40% of units ≤50% AMI.
- If seeking HOME/OHTF, HOME Assisted units are the lower of 65%/50% AMI (High/Low HOME) or FMR. If FMR is lower, you will need to use FMR for Assisted Units.
- If seeking NHTF, the 30% AMI Assisted Units can be overlapped as some of your 50% AMI Restricted Units.

National Housing Trust Fund

- NHTF-Assisted Units must be restricted ≤30% AMI, which not every deal can accommodate financially
- NHTF requires prescriptive funding “priorities” including project-based rental subsidy and use of non-federal funding sources.
- Instead of incentivizing 30% AMI units and subsidy through scoring for all projects like prior years, OHFA created an **opt-in option** for 2023

National Housing Trust Fund

- You **do not** need to meet the NHTF Minimum Eligibility Requirements; however, opting out means that your application could be left unfunded, even if it scores competitively based on available resources.

- OHFA tries to encumber NHTF on projects with project-based rental subsid, which are typically found in the Preserved Affordability pool.

Developer Fee

- **Maximum <u>budgeted</u> developer fee**: 20% of eligible basis net of developer fee.
  - This maximum amount is inclusive of consulting fees, guarantee fees, and other developer-charged fees.

- **Maximum <u>paid</u> developer fee**: $20,000 per unit.
  - This means that any portion of the budgeted developer fee <u>in excess</u> of $20,000 per unit must be put back into the deal as (1) deferred developer fee, (2) a sponsor loan or (3) a capital contribution.

Discount to Market Rent

- This will be autocalculated in the AHFA Competitive Scoring tab based on the project's 2020 Zip Code Tabulation Area (ZCTA) and its county
- OHFA will compare the maximum Multifamily Tax Subsidy Program (MTSP) rent against the Small Area Fair Market Rent (SAFMR), if it exists for the 2020 ZCTA.
- If there is no SAFMR, the calculation will default to the county Fair Market Rent (FMR), which is typical in non-metro areas

Any other questions?

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Thank you!

Harriet’s Hope, Columbus
2021 9% LIHTC, Columbus MHA