
PY 2026-2027 9% QAP with 2027 Technical Amendments - Comments

From Zac Linsky <Zac@sullivandevelopmentllc.com>

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To QAP, OHFA <QAP@ohiohome.org>

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Hello, please see below for my comments to the PY 2026-2027 9% QAP with 2027 Technical Amendments first draft:

Overall I think OHFA's strategy to distribute LIHTC awards throughout the state via the regional allocations is a sensible strategy. However I propose OHFA consider the following changes:

1. Instead of OHFA awarding regional allocation amounts based on a region's population, OHFA should investigate basing the regional allocation amounts by evaluating the amount of existing LIHTC units in a region divided by the total population. Certain areas of the state have had a lot more LIHTC development historically than others for a variety of reasons. However, the fact that SE Ohio and NW Ohio get hardly any awards seems unbalanced under the current QAP especially since those areas likely have had less LIHTC development than Central, SW, and NE Ohio historically. I am not certain if this would result in a different distribution of LIHTC allocation among the regions but it is worth OHFA exploring.
2. The 2nd and 3rd Tiebreakers (the highest number of bedrooms and the higher number of LIHTC units, respectively) should be revisited. While the intent is good - to try to maximize the amount of affordable housing built - it has created a situation that, when coupled with the fact that so much of the scoring is weighted to projects being located in a specific census tract, is resulting in projects being submitted that are not financially feasible without significant non-OHFA resources, if they are even feasible at all. There is an incentive, especially for less experienced or less honest developers, to submit deals that are very large relative to the amount of OHFA subsidy, and relative to the amount of units proposed by the majority of other submissions in a given round. While on the surface this seems harmless, and working as intended, the reality is that some of these projects are not underwriting realistic assumptions for construction costs, income, or expenses in order to get awarded (since the awards often come down to Tiebreaker #2 and #3). If those projects close on their financing and end up being financially viable, great, but the reality is some of these projects may never close due to unrealistic underwriting, and if they do close, will likely face financial issues in the future. When combined with this year's Additional Credits policy this also has potentially created a perverse incentive for developers to push the envelope on unit count with the hope that OHFA will award additional credits that will make their project financially viable post initial 9%-award. There is not really an easy solution to this problem. Perhaps one or a combination of the below could help address this issue:

1. OHFA should rigorously scrutinize deals that are far outside the range of other projects that are submitted in the same round in regards to any underwriting assumptions. If a project has extremely low operating costs, low construction costs, and/or unrealistic equity/debt pricing that is far outside other submissions, OHFA should be scrutinizing such deals extra carefully and even consider removing such projects from consideration. Otherwise, this will continue to happen and OHFA will unfortunately have a greater chance of funding deals that will never close or will have financial challenges in the future. Context is important during these reviews as well. Projects that have significantly larger unit sizes, more amenities, etc., realistically are typically more expensive to construct than projects with smaller unit sizes, less amenities, etc. Developers that submit deals that have underwriting assumptions that are off by a significant amount from others in the same round should also receive added scrutiny in future rounds unless they can prove a compelling case for why their assumptions are realistic. This would help increase the likelihood that projects that are feasible are funded and ensure OHFA's limited resources are going to projects that can close in a reasonable timeframe, rather than wastefully tying up OHFA's resources.
2. Instead of having TB#2 be number of bedrooms and TB#3 be number of units, those Tiebreakers could be removed entirely and OHFA could do a randomized lottery for projects with tied scores. This would dissuade developers from proposing projects that are pushed to the limit in terms of feasibility.
3. In order to allow developers more time to prepare for a potential final application, OHFA should post a list on its website of whether or not projects have passed experience and capacity/threshold review or not, well in advance of LIHTC award announcements. This would be a very simple change that would greatly assist all developers by allowing them to have some idea of where their project stands relative to other submissions prior to awards being announced. This means projects could potentially close faster and be open for residents faster as well.

Thank you,

-Zac

Zac Linsky

Development Director

Email: zac@sullivandevelopmentllc.com

27 E. Main St., Suite 200

Carmel, IN 46032

www.sullivandevelopmentllc.com