
Memorandum



To: 2009 Housing Credit Recipients

From: Sean Thomas
Director, Office of Planning, Preservation, and Development

Date: December 9, 2009

Re: ARRA Review Process: 2009 Projects Update

Yesterday was the deadline for 2009 project owners to correct deficiencies identified for Step II applications. The ARRA Underwriting team will evaluate the materials for all projects by the end of January and contact owners prior to the finalization of the underwriting reports. Owners of the five 2009 projects receiving Neighborhood Stabilization Funds (NSP) will be given a similar opportunity to cure any application deficiencies and will be notified by the end of December.

The remaining review schedule and approval process for the 2009 projects as outlined in the ARRA guidelines has changed. The reasons for the modifications are to allow Step II application cure periods, to provide time for discussions with owners prior to release of the underwriting reports, and to ensure that OHFA meets the TCAP commitment deadline. The extension of the federal expenditure deadline for the TCE funds was also a consideration for the changes.

The ARRA Underwriting Team will prioritize all projects that comply with the Step II due diligence requirements demonstrated by the projects readiness to proceed, source of ARRA funding, and status of the environmental review process. Projects that are most ready to proceed, are receiving a significant amount of TCAP funds, and are likely to have completed the Part 58 environmental review process by early-February will be reviewed first and presented to the OHFA Board in January for conditional approval, not after the Step III process as originally stated in the guidelines. These projects, along with those approved to date, will enable OHFA to commit 75 percent of the state's TCAP funds by February 16, 2010 and meet statutory requirements. The remaining 2009 projects recommended for approval by the ARRA Underwriting Team and ARRA Committee will be presented to the OHFA Board in February and March. If recommended for approval, the five 2009 NSP projects will be presented in March.

The Step III and closing deadlines will be based off of the OHFA Board approval dates. Project owners will be given 60 days (if a deadline falls on a weekend, the next business day will apply) from ***issuance*** of the funding agreement to submit the Step III application. The ARRA Underwriting Team will review the due diligence items and make adjustments to the funding agreement as needed within 20 days. **Please note that the amount of ARRA/NSP/HDAP subsidy may not increase after the Step II approval.** After notification that the Step III review is complete, project owners will have an additional 60 days to close all financing, equity, and begin construction. Failure to meet deadlines will result in the revocation of OHFA's funding commitments.

The estimated review schedule is as follows:

Step II Approval Month	OHFA Board Meeting Date	Funding Agreement Date	Step III Application Deadline	OHFA Step III Review Notification	Closing & Construction Start Deadline
January	1/20/2010	1/26/2010	3/29/2010	4/19/2010	6/18/2010
February	2/17/2010	2/23/2010	4/26/2010	5/17/2010	7/16/2010
March	3/17/2010	3/23/2010	5/24/2010	6/14/2010	8/13/2010

The review schedule as previously described applies only to Category 1 projects (with an investor). OHFA will make a decision regarding all 2009 Housing Credit Category 2 projects (without an investor) by January 31, 2010. The 2009 Category 2 projects determined to proceed, will be presented to the OHFA Board in February. The processing and closing deadlines will be developed separately for each project.

In addition to changes to the review schedule, OHFA modified the ARRA underwriting standards that were used in the 2009 Step I process and for the 2007, 2008, and Multifamily Bond projects to support the public private partnership and attract investor equity into Ohio Housing Credit developments. The reason for these changes is to ensure that projects meet perceived investor requirements in a market in which the amount of available investor capital is still unknown. The underwriting policy changes are as follows:

1. As stated in a previous memorandum, the 25 percent cap of ARRA subsidy used in determining the Step I awards will not apply. The final amount of ARRA subsidy will be based on need and the justification for additional subsidy.
2. The additional developer fee reduction and deferral requirements will not apply to the NSP projects. All other ARRA procedures and requirements will still apply.
3. OHFA will size the operating reserve up to 12 months of Operating Expenses, Replacement Reserves, and Hard Debt Service Payments. However, OHFA will not provide resources for an operating cash flow deficit reserve.
4. OHFA will strive to fulfill requests for Equity Bridge Loans (0 percent interest, repayment in full by end of 2014, and collateral must meet current OHFA Housing Development Loan guidelines for bridge loans) using TCAP funds. The equity provider must reasonably demonstrate the benefit of the loan to the project by providing a narrative stating the difference in pricing assuming a bridge loan, and assuming no bridge loan. Loans will be approved as funding remains available. Equity Bridge Loans for projects lower on the review priority list (see paragraph 3, page 1 of this memorandum) may be reduced based on funding availability.
5. OHFA is also making TCAP available to be used as permanent first mortgages for 2009 projects which have successfully completed their Step II ARRA Application. In the event the project was submitted with no permanent debt in the Step II application, and it is determined through the ARRA Step II Real Estate Underwriting that sufficient cash flow exists to support a first mortgage, OHFA may shift a portion of TCAP subsidy to fund a permanent first mortgage which will require hard debt payments. In the event a project was submitted with a first mortgage, the project may be eligible to exchange that conventional first mortgage for a TCAP funded first mortgage, which may be larger if supported through underwriting. These TCAP funds will be allocated to the extent funds are available and based upon the funding priorities listed in paragraph 3, page 1 of this memorandum. Contact OHFA for additional details.