

Memorandum



To: 2009 Housing Tax Credit Recipients

From: Sean Thomas

Date: August 31, 2009

Re: Additional Information re: ARRA Step II Application Process

In addition to reviewing required items to be submitted with the Step II application, OHFA will consider changes to the project budget and source(s) if developer can provide reasonable justification in the Step II application. Requirements from lenders, syndicators, and investors will be reviewed and given special consideration in OHFA's decision-making. A detailed breakdown of operating expenses will be required for changes to operating expense assumptions made by the OHFA underwriting team.

The OHFA underwriting analysis is for purposes of sizing OHFA's subsidy, project's permanent debt, minimum deferred developer fee and cost reasonableness. Costs may be added back to the project budget provided there are other sources of funds to cover the costs or the information provided is acceptable. Developers must still comply with the following fee maximum limits:

- Developer and consultant fees may not exceed the sum of:
 - 15% of total rehabilitation and new construction eligible basis, and
 - 5% of total acquisition eligible basis; however, a fee up to 10% of total acquisition eligible basis will be permitted for projects that require the approval of HUD for the transfer of the property.
- Contractor Profit: 6% of hard construction costs
- Contractor Overhead: 2% of hard construction costs
- General Requirements: 6% of hard construction costs

In addition OHFA fees, reserves, deferred developer fee, and permanent debt must be consistent with the final OHFA underwriting report.

OHFA's Asset Management Fee will be set at \$7,500 total for Category 1 projects. Therefore, the additional \$142,500 budgeted for each project in Step I may be applied to the pre-funded asset management fee for the syndicator or to other eligible costs.

If additional ARRA resources are available, the OHFA subsidy (ARRA plus HDAP) may increase above the 25% level established in Step I subject to project underwriting.

No waivers will be permitted regarding any of the due diligence items required for Step II – see attached excerpt from the 2009 HTC Project ARRA Application Procedures and Underwriting Guidelines.

The OHFA underwriting team will call the primary contact for each application before releasing the Step II underwriting report.

Excerpt from the 2009 HOUSING TAX CREDIT ARRA APPLICATION PROCEDURES & UNDERWRITING GUIDELINES, pages 6-7:

B. Step II Application Submission

Step II Application submission is for those projects invited by OHFA to proceed. Please provide all of the documents listed below at the time of Step II ARRA Application submission. Step II application information must be submitted within 60 days of invitation letter from OHFA. Please **DO NOT** submit an ARRA Application if the project's Readiness to Proceed cannot be verified or is not supported by documentation submitted. If any of the items below are not submitted, the application will be rejected and may be asked by OHFA to return all funds committed. OHFA and ARRA Underwriting team reserve the right to request additional information to complete the underwriting report. Please submit the following on CD disc:

1. An updated revised 2009 AHFA and detailed project narrative which highlight ALL changes from Step I Application to Step II Application, including but not limited to explanations of changes in the financing structure, costs and operating expenses. Submit the balance of the Category 1 underwriting fee. If OHFA designates the project as a Category 2, ~~an additional \$5,000 underwriting fee will be due within 3 days of notification.~~
2. Certifications from the architect and civil engineer that construction documents are 50% complete (not schematic design documents). Please provide a CD of the plans in PDF. **DO NOT PROVIDE HARD COPIES.**
3. Updated project timeline. Highlight variances and give reasons for changes to the Performance Standards established from the Step I Application submission.
4. For scatter site and Preservation projects only, the Applicant must **identify** all sites and / or provide valid option contract(s) for site control. Site identification is required to be demonstrated for 100% of land / buildings contemplated for all project types. All other project types (not preservation / NSP / Scatter sites) must have a valid option agreement and be prepared to meet the 10% test by November 19, 2009. Refer to Addendum, Special Conditions, 18 regarding additional scattered site and preservation requirements.
5. For a new construction project, provide documentation and the analysis supporting the property tax number used in the operating expenses. For an existing rehab project, provide a copy of the last 2 years tax bills.
6. Submit verification that an application has been submitted with a lender and the appraiser has been selected. Submit the updated conditional commitment letter or term sheet.
7. Submit verification that the applicant has identified an equity provider and that they have reviewed the project and the project has received approval from the equity providers Investment Committee. Provide a copy of the updated equity provider commitment approval to include but not be limited to pricing, terms, guarantees and reserves. In the event that sufficient Equity Provider interest is not expressed at this time, OHFA reserves the right in its sole discretion, to consider the project for designation as a Category 2 Project. OHFA will notify the Applicant in writing of its decision within 3 business days. If the project is classified as a Category 2, within 5 business days of receipt of this notification, the Applicant must provide a narrative describing the steps taken to secure an equity investment describing issues inhibiting investor interest in the project
8. For new construction projects, submit verification that the topographic survey is 100% complete for all sites identified or under option agreement. For an acquisition and rehab (single family and multifamily) submit verification that the as build survey(s) are 100% complete. An exemption to this may be provided if the applicant can demonstrate a survey is not required from the lender or equity provider (other than OHFA).
9. For a new construction project, provide verification of submission of the Permit to Install (PITI) application to the OH EPA for main line utility extension approval, if required. Also provide verification that the Storm Water Management and Erosion Plan application has been submitted to the OH EPA. An acquisition / rehab project may be exempt from these requirements if it provides appropriate documentation.
10. If the phase I has identified wetlands, provide from the environmental and / or civil engineer detailed steps that will be taken to mitigate and the projected timing associated with achieving satisfactory resolution, if necessary.
11. Anticipated outcomes of Step II Application Review:
 - a. Designate projects as a Category 1 or Category 2. In the event the project is requesting to become a Category 2 Project, the Applicant must submit verification as part of the Step II application the requirement noted in II (B) 7 above.
 - b. Quantify amount of remaining TCAP, TCE, and NSP funds.
 - c. Continue to evaluate the feasibility of projects and Readiness to Proceed.
 - d. Rescind OHFA commitments for projects unable to meet the established Performance Standards and timely re-allocate those resources.