



2018-2019

# MULTIFAMILY UNDERWRITING AND IMPLEMENTATION GUIDELINES

**web** [www.ohiohome.org](http://www.ohiohome.org) | **tollfree** 888.362.6432



The Ohio Housing Finance Agency is an Equal Opportunity Housing entity. Loans are available on a fair and equal basis regardless of race, color, religion, sex, familial status, national origin, military status, disability or ancestry. Please visit [www.ohiohome.org](http://www.ohiohome.org) for more information.

OHFA's share may be taken in any one or more of the following ways at OHFA's sole discretion.

- **With HDAP.** For developments that include HDAP, OHFA's share may be used to reduce the development's HDAP award.
- **HTC-Only.** For HTC-only developments, OHFA's options include reducing credits, supplementing reserves, achieving deeper income targeting, upgrading specific items in the project, reducing the deferred developer fee or using the savings to pay down hard debt, including HDL and/or Multifamily Lending Program debt.

Owners must contact OHFA prior to requesting IRS Form(s) 8609 or completing their Final Performance Report (HDAP only) to discuss the above options and determine a cost savings plan.

Contractor Relationship	Developer Savings Share	OHFA Savings Share
Related Contractor	50%	50%
Third-Party Contractor	67%	33%

## E. Professional Soft Costs

### 1. Professional Soft Costs Definition

Professional soft costs are defined as the total of architectural fees, survey costs, engineering fees, appraisal, market study, environmental report, rent-up and marketing costs; title and recording; legal fees; accounting fees; developer fee and overhead; consultant fees; organizational fees; capitalized asset management fees; and syndication expenses. OHFA has the discretion to add other fees/costs listed in the 'Other' line items to the calculation as appropriate.

### 2. Professional Soft Cost Limits

Non-competitive HTC developments may have a total professional soft cost of 25 percent of the total development cost. All other program participants may have a total professional soft cost no higher than 20 percent of the total development cost.

### 3. Professional Soft Cost Contingencies

The maximum soft cost contingency is 2.5 percent of total professional soft costs.

### 4. Developer Support Budget

The "Development Support Budget" is defined as the developer fee, as calculated below, plus the total of all application or development consultant fees, construction management fees, guarantee fees, developer asset management fee and any financing fees charged by the developer. OHFA may add other fees to the calculation as appropriate.

For the competitive HTC program the maximum developer support budget is \$1,750,000. For non-competitive HTC and other OHFA funding programs, there is no maximum developer support budget.

### 5. Developer Fees

Developer fees is calculated as follows. Also see the Deferred Developer Fee section. Applicants are not required to take the full developer fee for which they are eligible.

**Base Competitive HTC Developer Fee Calculation**

Developer fees for competitive HTC applications will be locked in at proposal application and may not be increased. All cost containment requirements must be satisfied inclusive of developer fee.

The competitive base developer fee is calculated as follows, all terms are defined in the Qualified Allocation Plan (QAP):

Pool	Developer Fee
Urban Opportunity Housing	\$ 30,000.00 Per Affordable Unit
General Occupancy Urban Housing	\$ 20,000.00 Per Affordable Unit
Senior Urban Housing	\$ 20,000.00 Per Affordable Unit
Non-Urban Housing	\$ 25,000.00 Per Affordable Unit
Urban Subsidy Preservation	\$ 15,000.00 Per Affordable Unit
Non-Urban Subsidy Preservation	\$ 15,000.00 Per Affordable Unit
Service Enriched Housing	\$ 25,000.00 Per Affordable Unit
Single Family Development	\$ 25,000.00 Per Affordable Unit

The following activities will also supplement the base developer fees as specified.

Activity	Fee Supplement
New Affordability developments with 25+ ELI units <sup>1</sup> and 75%+ are affordable to households at or below 60% Area Median Income (AMI)	\$75,000
Engaged in CHDO Capacity-Building Partnership <sup>2</sup>	\$75,000
Points Received for Infant Mortality prevention <sup>3</sup>	\$50,000
Points Received for Supporting Integrated Communities (811)	\$25,000
Development Required by Law to Pay Prevailing Wage Rates <sup>4</sup>	\$25,000
Points Received for Historic Tax Credits	\$25,000
New Affordability developments with 25%+ ELI units and 75%+ are affordable to households at or below 60% Area Median Income (AMI)	\$75,000
Engaged in CHDO Capacity-Building Partnership	\$75,000
Points Received for Infant Mortality prevention	\$50,000
Points Received for Supporting Integrated Communities (811)	\$25,000
Development Required by Law to Pay Prevailing Wage Rates	\$25,000
Points Received for Historic Tax Credits	\$25,000

<sup>1</sup> Extremely Low Income (ELI) units must be affordable to households at or below 30 percent Area Median Income and may include any units committed pursuant to the ELI and/or 811 scoring sections.

<sup>2</sup> Selection as a CHDO recipient not required for fee supplement. Applicants may receive either the Developer Fee Supplement or a HOME Operating Grant in a single calendar year, not both.

<sup>4</sup> Supplemental developer fee is only available to applicants that receive consideration for the Infant Mortality sections; this fee supplement is to compensate for the administrative costs of identifying, securing and negotiating that partnership.

<sup>5</sup> Applicant must submit proof of a legal requirement to pay Davis Bacon or Ohio prevailing wage rates with the Competitive Support Documents.



**Base Non-Competitive HTC Developer Fee Calculation**

The non-competitive base developer fee shall be no more than 25 percent of the total acquisition, rehabilitation and new construction eligible basis. The developer fee itself is not included in this calculation. Developer fees in excess of 20 percent must be deferred or put back into the development as a capital contribution and must be included in the sources of permanent financing.

**Non HTC Developer Fee Calculation**

OHFA gap financing programs that are not paired with HTC may claim a developer fee of 15 percent of the total development cost, unless guidance in the specific program guideline states otherwise.

**F. Reserves**

Unless waived by OHFA, all reserves described herein shall stay with a development at the time of investor exit so that the owner can access the accounts should the property require access to that capital.

**1. Operating Reserves**

The minimum operating reserve for a development is four months of the first stabilized year's projected operating expenses, hard debt service payments, and replacement reserve contributions. The maximum is 12 months of the first stabilized year's projected operating expenses, hard debt service payments and replacement reserve contributions.

**2. Replacement Reserves**

Capitalized prefunded replacement reserves are not permitted for new construction developments, except for adaptive reuse developments and single family development properties intended for eventual tenant ownership.

Lease-purchase properties may include up to \$5,000 per unit in capitalized prefunded replacement reserve. This reserve must be set aside in escrow to cover major capital expenditures prior to transitioning the home to the buyer. An additional \$3,000 per unit may be set aside in escrow to cover closing costs. An inspection from an independent housing inspector approved by OHFA must be completed and provided to the Agency before reserves can be accessed.

OHFA's minimum replacement reserve amounts by product type are as follows; the below distinctions are based on population served and construction type, not by funding pool:

- Senior, New Construction = \$250 per unit
- Family/Service Enriched, New Construction = \$350 per unit
- Single Family Homes = \$300 per unit
- Senior, Rehabilitation = \$350 per unit
- Family/Service Enriched, Rehabilitation = \$400 per unit

OHFA may permit an exception to these minimum replacement reserves if required by another funding source.

**3. Special Reserves**

OHFA will not permit capitalized reserves for service provision unless required by Rural Development.

If special reserves are required by HUD, RD, the lender(s), the investor and/or syndicator the applicant must provide supporting documentation that explains the requirement and defines the amount of time that the reserves will remain with the project. If documentation cannot be provided, OHFA will remove the special reserve from the development budget.

Special reserves are permitted for lease-purchase developments for wheelchair lifts as an alternative to ramp requirements under visitability criteria. The special reserve must be reasonable and will be approved on a case-by-case basis.



## II. Development Financing

### A. All Sources Identified

Financing sources must be identified, including HTC equity, hard debt, gap financing, seller financing, soft or non-recourse loans, grants, development team contributions, interest during construction and reserves used to fund redevelopment. Applicants should contact OHFA for instructions on how to account for any unusual sources.

### B. Commitment Letters

#### 1. Equity Commitment

OHFA will evaluate the conditional equity commitment provided by the syndicator/investor at final application. Conditional equity commitments must include the following:

1. Proposed terms and conditions;
2. Net and gross equity and net equity pricing;
3. Detailed pay-in schedule including equity pay-in during construction;
4. If seeking HDL, equity contribution with and without HDL (net HDL Interest); and
5. If seeking HDL, terms of HDL including rate, term length, collateral and amount.

OHFA may require adjustments based on comparable, historical and/or current market conditions and trends.

#### 2. Debt Financing

OHFA will evaluate all funding source terms and may choose to underwrite at different terms for any funding source which OHFA determines will cause unnecessary or excessive subsidy. If an applicant has not received final commitments at proposal application, OHFA will underwrite the proposal application based upon market norms for the product type, development area and current market conditions as determined by OHFA.

Conditional financial commitments for all debt sources must be submitted at final application for all developments seeking OHFA resources.

#### 3. Other Commitment Letters

All other sources identified in the application must include a conditional commitment letter at final application. Conditional commitment letters must identify the funding terms and conditions.

If such other funding sources involve either (1) a competitive process that has not yet announced award recipients or (2) federal or state historic tax credits, OHFA may choose to allow additional time for applicants to submit a conditional commitment letter. OHFA will not present a development to the Multifamily Committee for approval until all conditional commitment letters are received.

### C. Deferred Developer Fee

For HTC developments, applicants must show that any deferred developer fee can be paid in full from development cash flow within the first 15 years. Any unpaid or deferred balance after year 15 will be deducted from the HTC eligible basis. If this results in a lower eligible basis amount, the basis will be reduced to the appropriate amount and may result in a lower HTC allocation.

## III. Income and Expense Analysis

### A. Income and Expense Overview

#### 1. Operating Expense Reasonableness

OHFA will evaluate operating expense reasonableness by comparing application expenses to similar developments, as determined by building type, population served, type of financing and location, using the most recent Operating Expense Calculator. OHFA reserves the right to use other data sources to assess operating expense reasonableness.

Additional information will be required at OHFA's discretion for developments that exceed expected budget projections based on the comparables. Developments that do not provide sufficient response or justification may be adjusted to match industry norms or removed from funding consideration.

Developments will be subject to any additional expense requirements imposed by the specific program to which application is made, if applicable.

#### 2. Vacancy

In year-one, OHFA may assume a 15 percent vacancy rate.

For all future operating years, OHFA will assume a seven percent vacancy rate to calculate the effective gross income. Preservation developments with project based rental subsidy may request a five percent rate if they can document a strong occupancy rate history. Service enriched housing developments with project based rental subsidy for all units may elect to use a five percent vacancy rate.

#### 3. Income/Expense Escalations

OHFA will assume a two percent annual income increase and a three percent annual expense increase. Exceptions will be permitted for properties in which operating subsidy is provided by HUD, RD or the local public housing authority to achieve break-even operations at the property.

#### 4. Lease Option Agreements

Counties, townships or municipal/non-profit corporations that are exempted from property taxes under the Ohio Revised Code and will option to lease the property on a long-term basis must submit a Lease Option Agreement for a minimum term of 35 years.

### B. Expenses

#### 1. Utility Allowances

All utility allowances must conform to OHFA's Utility Allowance Policy. For HTC developments, utility allowances must be consistent with Internal Revenue Code (IRC) Section 42 and IRS Regulation 1.42-10. For non-HTC developments, utility allowances must come from a local utility provider, the local MHA/PHA, a third party engineer or HUD/RD.

#### 2. Syndicator Expenses

Reasonable investor/syndicator asset management fees will be permitted as either a capitalized development cost or a "soft" operating expense repaid from available cash flow, after amortizing permanent mortgages before deferred developer fee and soft loan repayments.

#### 3. Service Coordination Expenses and Fees

Service coordination expenses and fees will be limited to \$250 per unit per year. Exceptions may be granted to service enriched developments or developments that must have a higher service coordination fee based on a federal program requirement.

## C. Income

### 1. Rental Income

All affordable units must maintain restricted rents that conform to IRC Section 42 and other applicable OHFA guidelines.

### 2. Commercial Income

Income from commercial space, including cellphone towers, will not be considered in the cash flow analysis toward meeting either Hard Debt Service Coverage Ratio (DCR) or non-DCR requirements.

### 3. Other Income

Fees and other income such as laundry and parking must be reasonable and comparable to similar properties within the region and the developer's portfolio.

## D. Debt Coverage Ratio

The minimum acceptable DCR is 1.20 for the first year of stabilized operations. Exceptions for the first year of stabilized operations may be considered where improved and upward trends in DCR are sustained over 15 years.

The development must maintain an annual DCR above 1.00 during the entire 15-year compliance period. For developments with no hard debt, the developments must maintain an annual income to expense ratio above 1.00 during the entire 15-year compliance period. The average hard DCR over the 15-year compliance period must not be greater than 1.5. The average income to expense ratio over the 15-year compliance period must not be greater than 1.5.

OHFA may grant exceptions for Rural Development properties and developments that contain small hard debt amounts. Developments seeking an exception must demonstrate a legitimate need.

## E. Subsidy Layering Review

Effective February 2017, OHFA will no longer complete Subsidy Layering Reviews on behalf of the Department of Housing and Urban Development.



## IV. Credit Calculation (HTC Only)

The HTCs and HDAP amount reserved will not increase after the proposal underwriting for Competitive HTC applications.

### A. Tax Credit Percentage

The tax credit percentage is determined according to IRC Section 42. The rate valid at application must be used to determine the credit request. The rate may then be locked the month the Binding Reservation Agreement is issued for competitive HTCs or the month bonds are issued for tax-exempt bond developments. Alternatively, applicants may elect to lock in the rate at the time the development is placed in service.

### B. Eligible Basis

OHFA will review the eligible basis indicated in the application. All non-eligible costs will be deducted from eligible basis. OHFA may require a legal opinion from a qualified tax credit attorney, at the applicant's expense, for any items that are not clearly eligible under Section 42 of the IRC and applicable IRS guidance as determined by OHFA.

### C. Acquisition Basis

OHFA will review the acquisition basis indicated in the application. Acquisition basis must conform to Section 42 of the IRC and applicable IRS guidance as determined by OHFA. The acquisition eligible basis cannot exceed the property value at or before the date of acquisition (defined as the date the deed or lease is recorded) as determined by the As-Is Appraisal of the property that complies with the Appraisal Requirements section in these Guidelines.

The acquisition basis cannot exceed the value of the building(s) (total appraised value minus appraised land value) as indicated in the appraisal. If seeking competitive HTC, seller financing will not be included in eligible basis.

## V. Document Submission Standards

These standards provide applicants with instructions on how to submit documentation to OHFA in a consistent and acceptable manner. Unless otherwise specified by the funding guidelines, these requirements apply to all aspects of the following programs, including funding applications, draw requests and project close-outs: HTC, Multifamily Bond, all HDAP, Housing Development Loans, CHDO and 811.

### A. Document Formats

The following document formats will be accepted:

- **Adobe PDF.** OHFA prefers Optical Character Recognition (OCR) enabled and bookmarked documents. OHFA discourages submitting documents in PDF "Portfolio" format.
- **MS Office Compatible.** This includes .xls, .xlsx, .xslm, .doc, .docx, .ppt and .txt.

Affordable Housing Funding Applications (AHFA) must be submitted in Excel format. All documents shall be print-enabled. Documents shall not be read-only formatted. All documents must be highlighted and annotated.

Three folders for Site Visit Information, Original Signature Documents, and Architectural Plans must also be submitted in hard-copy. Only the following documents must be submitted in hard-copy: documents that will be recorded, grant or funding agreements and HDAP funding contracts.

All application materials must be submitted on a CD, mailed, couriered or hand-delivered to Ohio Housing Finance Agency, PP&D, 57 East Main Street, Columbus, Ohio 43215. For security purposes, OHFA will not accept submissions via a file transfer protocol or "DropBox".

Competitive application fees will be invoiced by OHFA; all non-competitive submissions must include a check or money order payable to the Ohio Housing Finance Agency bearing the project's name.

### B. Naming Conventions

Files should be named and number as indicated in either the program guidelines or application and should not be placed inside digital folders on the disk unless specified.

### C. Security and Personally Identifiable Information

In certain circumstances, OHFA may request and accept documentation by electronic submission. Be advised that certain documents may contain personally identifiable information (PII), which includes a name and social security number or name and personal financial information. Transmission of PII without utilizing proper encryption or security techniques risks exposing PII to identity theft. OHFA, at its discretion, may refuse any document that contains PII and is not properly secured. The submitting organization assumes all responsibility and liability of PII submitted to OHFA. All documents submitted to OHFA may be deemed public records and are therefore open for inspection and/or release unless an exception exists that would prevent their release.

## VI. Environmental Review Standards

Environmental review requirements vary by funding program and source. Please see the applicable program guideline and reference the following online resources for further information:

- [811 Project Rental Assistance](#)
- [HOME Program](#)
- [Ohio Housing Trust Fund](#)
- [National Housing Trust Fund](#)



## VII. Exceptions

Developments must meet these standards unless an exception is clearly warranted and granted by OHFA. Underwriting exceptions must be submitted with the first application. The following underwriting exceptions are permitted by these Guidelines:

Section	Subsection	Exception
<b>Development Budget</b>	Acquisition and Land Costs	HUD/RD assumed debt exception to land valuation limits.
<b>Development Budget</b>	Acquisition and Land Costs	Appraisal exception to use as-is restricted valuation if currently restricted.
<b>Development Budget</b>	Related Party Acquisitions	<i>HDAP Programmatic Exception</i> for cash settlements.
<b>Development Budget</b>	Construction Interest	Construction interest exception for long construction periods.
<b>Development Budget</b>	Construction Contingencies	Construction contingency exception if required by other funding sources.
<b>Development Budget</b>	Reserves	Minimum replacement reserve exception if required by other funding sources.
<b>Income and Expense Analysis</b>	Income/Expense Escalation	Exception for escalations with HUD/RD/PHA with break-even operation subsidy
<b>Income and Expense Analysis</b>	Expenses	Service coordination expense exception for service enriched or if required by other funding sources.
<b>Income and Expense Analysis</b>	Debt Coverage Ratio	First year stabilized DCR exception if upward trends in DCR are sustained over 15 years.
<b>Income and Expense Analysis</b>	Debt Coverage Ratio	DCR exceptions for RD properties with little hard debt and demonstrated legitimate need.
<b>Income and Expense Analysis</b>	Vacancy	5% vacancy rate for project based subsidy

Programmatic exceptions are identified in the funding guidelines and/or QAP; these exceptions may have different submission deadlines and documentation requirements.

## VIII. Development Changes

All major changes to a development require OHFA approval and will be reviewed by OHFA on a case-by-case basis. A new application, processing fee, public notification letters and competitive review may be required.

If changes are made without prior approval, or if applicants fail to complete a development as approved, OHFA reserves the right to assess any remedy identified in the Penalties section of this document. Failure to inform OHFA of any major changes in the applicant's situation or development structure at any time may cause the application to be rejected or the HTC reservation to be revoked.

## IX. Definition of Cash Flow

In determining any loan payments due to OHFA that may be calculated based on a percent of the projects cash flow, subject to the start date within any loan or mortgage documents, cash flow will be defined as all gross cash receipts to the property minus:

1. Debt service on loans with a superior mortgage position (excluding general partner and/or partner/partnership notes/mortgages);
2. Replenishment of the Operating Reserve Account up to the maximum of its original established amount through year 10;
3. Payment of any deferred developer fee through year 10 after obligations to Operating Reserve Account are met;
4. Any required payments deposited to or in the established Partnership Replacement Reserve accounts;
5. Asset management fees required by the syndicator, if not capitalized; and
6. Supported payments made for the following project operating expenses:
  - a. Advertising
  - b. Legal
  - c. Accounting/auditing
  - d. Elevator maintenance/operation
  - e. Heating, lighting and hot water for common areas
  - f. Water/sewer – common areas
  - g. Trash/snow removal
  - h. Security – requires OHFA approval to be included
  - i. Decorating
  - j. Repairs not funded through Replacement Reserve
  - k. Exterminating
  - l. Grounds maintenance
  - m. Maintenance salaries and payroll taxes
  - n. Maintenance supplies
  - o. Office supplies
  - p. Service Coordinator/supportive services – requires OHFA approval to be included
  - q. Property manager salary, payroll taxes
  - r. Property insurance
  - s. Property taxes
  - t. Management fees not to exceed six percent of Effective Gross Income (excluding management incentives, bookkeeping fees, compliance fees, bonuses, administrative service fees, incentive fees of any kind, etc.)
  - u. Owner-paid utilities – units if applicable and common space

“Gross Cash Receipts” means all cash received in any fiscal year from the operations of the partnership, including all government subsidies received by the partnership and construction contingency, but excluding capital Contributions, loan proceeds, repayment of rent, security deposits, insurance proceeds, condemnation awards, proceeds from net cash from sales and refinancing and any other funds not generated from current project operating expenses. The partnership definition of “net cash from sales and refinancing” (or other applicable related term or activity) must be provided to OHFA for review and approval.

Year 10 is calculated from the date / year a project starts construction.

The [Cash Flow Loan Repayment Calculation Form](#) can be downloaded from OHFAs’ website.



## X. Penalties

Violations of the requirements set forth in these guidelines, missed deadlines, failure to honor commitments made in the application process or other instances of noncompliance with OHFA requirements may result in any or all of the following non-exhaustive sanctions:

- Refusal to increase, amend or otherwise alter credit or funding allocations;
- Removal from application consideration;
- Cancellation or reduction of the reservation of HTCs or other funding;
- Recapture of resources;
- Removal from a position of good standing for a period of one year or more;
- A reduction in the developer fee in an amount to be determined by OHFA;
- Monetary fee as provided in program guidelines and may be modified;
- Permanent or temporary prohibition from participation in OHFA programs;
- Reduction in the number of applications an entity may submit/receive in future cycles;
- Referral to the IRS for investigation or penalty;
- Referral to law enforcement for criminal and/or civil prosecution; and/or
- Other remedies as OHFA deems necessary.

In addition to the above, OHFA may reject an application from any applicant or related entity who either (1) participates in a transaction or program to achieve early termination of a Restrictive Covenant agreement as determined by the OHFA in its sole discretion or (2) owes any past due amount on an OHFA repayment obligation or fails to submit required documentation and/or payments on an OHFA cash-flow obligation.

## XI. Appraisal Requirements

OHFA requires As-Is Appraisals for its funding recipients. An As-Is Appraisal shall meet all requirements outlined in these Guidelines. The OHFA appraisal requirements are applicable to all OHFA multifamily programs including HTC, HDAP and the Housing Development Loan Program. An appraisal is not required if both of the following conditions are met: (1) applicant is not seeking HDAP funds and (2) applicant is not including any acquisition costs in eligible basis or the funding request.

The intent is for OHFA to develop a consistent approach to measuring and evaluating the as-is value of unimproved, vacant land and existing properties in order to efficiently allocate OHFA resources.

An acceptable As-Is Appraisal is either a Summary Appraisal Report or a Self-Contained Appraisal Report (the Report) that meets the most current editions of The Appraisal Foundation's Uniform Standards of Professional Appraisal Practice (USPAP) and must be completed by a Certified General Real Estate Appraiser licensed in the state of Ohio. OHFA must be listed as an intended user. The licensed appraiser is required to conduct a site inspection for the subject property. The final report shall be submitted to OHFA electronically, in PDF format.

### A. As-Is Value Definitions

OHFA requires the appraiser to provide the as-is value as defined below in (a), (b) and (c). When a value is determined by the appraiser for existing properties, the appraiser is requested to reflect a total value that can be broken down into a value of the improvements and a value for the land.

All appraisals submitted to OHFA shall at a minimum include the following values, as applicable:

- a) As-is market value with restricted rents for existing properties;
- b) As-is market value with market rents for existing properties; and
- c) As-is land value (unimproved, vacant land value)

OHFA requires the Income Approach for existing properties, and the Sales Comparison Approach for unimproved, vacant land. When using the Income Approach, appraisers shall use actual operating expenses to determine value; appraisers may choose to create two appraisals, one using actual operating expenses and a separate one using adjusted operating expenses.

Favorable financing terms and HTCs must not be considered in determining either a cap rate or an as-is value.

The identification of comparable properties in some markets may be difficult. OHFA encourages the appraiser to identify property that has physical and locational (nearest location) characteristics similar to those of the subject property. Using sales of comparable vacant land or existing developments from other regions of Ohio is discouraged without a detailed explanation and rationale from the appraiser to support this methodology and approach.

OHFA reserves the right to limit the amount of OHFA resources allocated to a development predicated on the appraised as-is value.

### B. Updates

OHFA may require the appraiser to update its existing appraisal to match these Guidelines or may order an additional appraisal. The cost of the additional appraisal will be paid for by the applicant.

OHFA will accept appraisals, including those from RD and HUD, dated no later than 12 months prior to the funding application deadline. For appraisals dated more than 12 months prior to the funding application deadline, the appraiser may provide an updated letter if there are no material changes to the development, market and the update meets USPAP and other appraisal industry rules or guidelines.

## C. Ownership of Appraisal

Any appraisal submitted to OHFA in connection with an application will become property of OHFA and may be relied upon for the purposes of determining as-is value and feasibility of the proposed development, regardless of any unresolved concerns between the Applicant and appraisal's provider.

## D. Special Conditions

The following special conditions are recognized to be outside of appraisal standards but will be incorporated into the allocation process:

### 1. Excess Land Acquisition

Where more land is being acquired than proposed, and the remaining acreage is not being utilized as permanent green space per deed restrictions or covenants, the as-is value will be prorated. Excess land should not attribute value to the proposed property. A development that has excess land must show a separate value for the excess land and it cannot be purchased as part of the primary development cost.

### 2. Incorporation of HUD and/or RD Standards

OHFA will accept appraisals from HUD and RD that include multiple valuation methodologies, so long as the primary valuation required by OHFA is clearly noted within the appraisal.



## XII. Physical Capital Needs Assessment Standards

### A. Purpose

A Physical Capital Needs Assessment (PCNA) represents a third-party, qualified professional's opinion of a property's current overall physical condition and identifies significant deferred maintenance, existing deficiencies and material building code violations that affect the property's use and its structural and mechanical integrity. The assessment should include an opinion as to the proposed budget for recommended improvements and should identify critical building systems or components that have reached or exceeded their expected useful lives as noted in the OHFA Expected Useful Life (EUL) table below.

The PCNA should include a projection of recurring probable expenditures for significant systems and components impacting use and tenancy, which are not considered operation or maintenance expenses, in order to determine the appropriate replacement reserve deposits on a per unit per year basis.

The PCNA must conform to ASTM E2018-08 standards. In addition, the PCNA must include an Immediate Repairs Table and Replacement Reserves/Ongoing Physical Needs tables. It must identify all immediate repairs as occurring in year zero and project the expected reserve requirements necessary for at least the following 20 years of operations.

OHFA, in its sole discretion, may accept a PCNA that does not meet the standards set forth herein if it meets substantially similar requirements imposed by another funder. OHFA reserves the right to reject any PCNA that does not reflect the current condition of the building; OHFA may require the third-party, qualified professional update any report that is greater than one year old at the time it is submitted to OHFA.

### B. Process

1. Conduct site visit and physical inspection of interior and exterior of units and structures; the provider will perform an on-site inspection to document the required information. At a minimum, this will involve viewing:
  - 25 percent of all dwelling units (if less than 50 total units)
  - 20 percent of all dwelling units (if 50 to 99 total units)
  - 15 percent of all dwelling units (if greater than 100 total units)
  - All accessible units
  - All common facilities
  - All site improvements
  - All building exteriors
2. Interview available on site property management and maintenance personnel and inquire about past repairs/improvements, pending repairs and existing or chronic physical deficiencies.

### C. Components

Components which should be examined and analyzed in order to prepare a comprehensive property condition report or capital needs assessment for rehabilitation projects:

#### Site, Including

- Topography and drainage
- Pavement, curbing, sidewalks and parking
- Landscaping and amenities
- Water, sewer, storm drainage, gas and electric utilities and lines

#### Roof, Including

- Shingles and/or membrane
- Deck and framing
- Rain water system (roof drainage exterior, gutter & fascia)
- Accessories: flashings, trim, gutters, copings, vents, soffits, vents, vent boots, access hatch/ doors

**Building Exteriors, Both Substructure and Superstructure, Including**

- Exterior walls and finish
- Exterior doors and windows

**Quality of Existing Structure System, Substructure and Superstructure, Including**

- Foundation
- Exterior walls and balconies
- Roofing structure

**Mechanical Systems, Including**

- Plumbing and domestic hot water
- HVAC
- Electrical and fire protection
- Elevators

**Unit Plans and Floor Plans, Including**

- Unit plans that meet UFAS 504 standards for new construction and quantity.
- Alternate compliance methods used and quantity
- Compliance with universal design features

**Interiors, Including**

- Unit and common area finishes (carpeting, vinyl tile, plaster walls, paint condition)
- Unit kitchen finishes and appliances
- Unit bathroom finishes and fixtures
- Common area lobbies and corridors

## D. Expected Useful Life Table: Site Systems

Site Systems	Type	Family	Elderly	Action (replace unless otherwise noted)
<b>Roadways</b>				
	Asphalt (sealing)	5	5	Seal
	Asphalt	25	25	Resurface
	Gravel	15	15	Pave with asphalt or concrete
<b>Parking</b>				
	Asphalt	25	25	Resurface
	Gravel	15	15	Pave with asphalt or concrete
<b>Pedestrian Paving</b>				
	Bituminous	15	15	Resurface
	Concrete	30	30	Replace
<b>Retaining Walls</b>				
	Concrete	20	20	Fill cracks/repoint
	Masonry	15	15	Fill cracks/repoint
	Wood	15	15	Replace
	Stone	15	15	Fill cracks/repoint
<b>Dumpsters</b>		10	10	
<b>Dumpster Enclosures</b>		10	10	Fence only
<b>Earthwork</b>		50+	50+	
<b>Mail Facilities</b>		10	10	
<b>Landscaping</b>		50+	50+	
<b>Fencing</b>				
	Chain Link	40	40	
	Wrought iron	50+	50+	
	Stockade	12	12	
	Post & Rail	25	25	
<b>Irrigation Systems</b>		30	30	
<b>Site Electrical Main</b>		40	40	
<b>Emergency Generator</b>		15	15	
<b>Sanitary Treatment</b>		40	40	
<b>Lift Station</b>		50	50	
<b>Site Sanitary Lines</b>		40	40	
<b>Site Sewer Main</b>		40	40	
<b>Site Water Main</b>		40	40	
<b>Storm Drain Lines</b>		40	40	
<b>Catch Basin</b>		40	40	
<b>Site Gas Main</b>		40	40	
<b>Site Lighting</b>		25	25	
<b>Site Power Distribution</b>		40	40	
<b>Built Improvements (playgrounds/site furniture)</b>		20	20	
<b>Basketball Courts</b>		15	25	
<b>Tennis Courts</b>		15	15	Resurface
<b>Transformer</b>		30	30	
<b>Water Tower</b>		50+	50+	

## E. Expected Useful Life Table: Building Exteriors

Building Exteriors	Type	Family	Elderly	Action (replace unless otherwise noted)
	Porches	50	50	Paint at five years
	Wood Decks	20	20	
	Storage Sheds	30	30	
	Carports	40	40	
	Garages	50+	50+	
<b>Canopies</b>				
	Wood/Metal	40	40	
	Concrete	20	20	
<b>Foundations</b>		50+	50+	
<b>Waterproofing Foundation</b>		50+	50+	
<b>Building Mounted Exterior Lighting</b>		6	10	
<b>Building Mounted HID Lighting</b>		6	20	
<b>Bulkheads</b>		6	20	
<b>Ceilings, Exterior or Open</b>		5	5	Paint
<b>Chimney</b>		25	25	Paint
<b>Exterior Common Doors</b>				
	Aluminum and glass	30	30	Door only
	Solid Core (wood or metal)	20	20	Door only
	Automatic	15	30	Door and mechanism
<b>Exterior Stairs</b>				
	Wood	30	30	Replace
	Filled metal pan	20	20	Replace
	Concrete	25	25	Replace
<b>Basement Stairs</b>		50+	50+	
<b>Fire Escapes</b>		40	40	Resecure
<b>Exterior Unit Doors</b>		25	25	
<b>Windows - All Types</b>		20	20	Replace for energy efficiency
<b>Exterior Walls</b>				
	Aluminum siding	15	15	Prep and paint
	Brick or block	40	40	Repoint
	Stone veneer (brownstone)	20	20	Waterproof and caulk
	Glass Block	15	15	Recaulk
	Granite block	40	40	Repoint
	Metal/glass curtain wall	10	10	Recaulk
	Precast concrete panel	15	15	Recaulk
	Vinyl siding 0.030 - 0.040	15	15	Replace AS REQ'D
	Vinyl siding 0.042 - 0.055	30	30	Replace AS REQ'D
	Wood siding/shingles	5	5	Prep and paint/stain
	LATEX stucco (EIFS)	5	5	Prep and paint/stain
	Portland Cement Stucco	30	30	Repair cracks

Building Exteriors	Type	Family	Elderly	Action (replace unless otherwise noted)
Parapet Wall		50+	50+	
Storm/Screen Doors		7	15	
Storm/Screen Windows		20	20	
Window Security		40	40	
Windows (Frames and Glazing)		30	30	
Roof Covering				
	Aluminum shingles	40	40	
	Asphalt shingles	20	20	
	Built up (BUR)	20	20	(Subject to waiver)
	Membrane	20	20	(Subject to waiver)
	Preformed metal	40	40	
	Shingles (slate, tile, clay, etc.)	50+	50+	
	Wood shingles	20	20	
Roof Drainage Exterior (Gutter and Fascia)		25	25	Replace
Roof Drainage Interior (Drain Covers)		50+	50+	Replace
Roof Structure		50+	50+	
Roof Railings		10	10	Repaint
Hatches/Skylights				
	Access hatch	30	30	
	Smoke hatch/skylight	25	25	
Service Doors		25	25	
Soffits				
	Wood/stucco/concrete	5	5	Repair/repaint
	Aluminum or vinyl	25	25	Replace
	Concrete	50+	50+	Replace



## F. Expected Useful Life Table: Multi-Tenant Building Common Area

Multi-Tenant Building Common Area	Type	Family	Elderly	Action (replace unless otherwise noted)
Common Area Doors		50+	50+	
Common Area Floors				
	Ceramic/tile/ terrazzo	50+	50+	Replace
	Wood (strip/parquet)	30	30	Replace/sand and finish
	Resilient floor (tile/sheet)	15	15	Replace
	Carpet	7	7	Replace
	Concrete	50+	50+	
Common Area Railings		50+	50+	
Common Area Ceilings				
	Concrete/DW/plaster	50+	50+	Paint five to eight years
	Acoustic tile	20	20	Replace
Common Area Countertop/sink		20	20	
Common Area Dishwasher		15	15	
Common Area Disposal		5	5	
Common Area Walls		50+	50+	Paint five to eight years
Interior Lighting		25	25	
Interior Railings		50+	50+	
Kitchen Cabinets	Wood construction	20	20	
Refrigerator, Common Area		15	15	
Public Bathroom Accessories		7	7	
Public Bathroom Fixtures		15	15	
Insulation/Wall		50+	50+	
Mail Facilities		20	30	
Penthouse		25	25	New door and pointing

## G. Expected Useful Life Table: Dwelling Units

Dwelling Units	Type	Family	Elderly	Action (replace unless otherwise noted)
Slab		50+	50+	
Wood Floor Framing		50+	50+	
Stair Structure		50+	50+	
Bath Accessories/Vanities		10	15	
Bath Fixtures (Sink, Toilet, Tub)		20	20	
Interior Hollow Solid Doors		30	50	
Interior Hollow Core Doors		10	20	
Residential Glass Doors		15	20	
Kitchen Cabinets	Wood construction	20	25	
Countertop and Sink		10	20	
Dishwasher		10	15	
Disposal		5	8	
Electric Fixtures		20	20	
Living Area Ceilings				
	Concrete/drywall/plaster	50+	50+	Replace (paint five to eight years)
	Acoustic tile	20	20	
Living Area Floors				
	Ceramic/tile/terrazzo	50+	50+	Replace
	Wood (strip/parquet)	30	30	Replace part/refinish
	Resilient flooring	15	20	Replace
	Carpet	7	10	Replace
	Concrete	50+	50+	Replace
Living Area Walls		50+	50+	Replace (paint five to eight years)
Range		15	20	
Range Hood		15	15	
Refrigerator		15	15	
Smoke/Fire Detectors		10	10	

## H. Expected Useful Life Table: Major Mechanical - Tenant Unit

Major Mechanical - Tenant Unit	Type	Family	Elderly	Action (replace unless otherwise noted)
<b>Radiant Heating</b>				
	Hydronic (baseboard or freestanding)	50	50	
	Electric baseboard	25	25	
	Electric panel	50	50	
<b>Unit Wiring</b>		99	99	
<b>Unit HVAC</b>				
	Electric fan coil	20	20	
	Electric heat/AC	15	15	
	Evap. condenser (swamp cooler)	20	20	
	Gas furnace, split DX AC	20	20	
	Heat pump with suppl. electric	15	15	
	Heat pump, water source	20	20	
	Hydronic fan coil	30	30	
	Hydronic heat/electric AC	20	20	
	Radiant steam heat	50	50	
	Electric base board heat	15	15	Replace for energy efficiency
<b>Unit Level DHW</b>		10	10	
<b>Unit Vent/Exhaust</b>		15	15	

## I. Expected Useful Life Table: Major Mechanical Common Area

Major Mechanical Common Area	Type	Family	Elderly	Action (replace unless otherwise noted)
Central Unit Exhaust, Roof Mounted		20	20	
Chilled Water Distribution		25	25	
Compactor		15	15	
Cooling Tower		40	40	Repair as required
Electrical Switchgear		50+	50+	
Electrical Wiring		50+	50+	
Elevator, Cab, Call Station, etc.		15	15	Rebuild interior
Elevator, Machinery		25	25	
Emergency Generator/Transfer Gear		35	35	
Emergency Lights - Battery Operated		10	10	Battery replacement
Fire Pumps		40	40	Pump motor
Fire Suppression - Wet System		50+	50+	Piping
Fire Suppression - Dry System		30	30	Replace head, comp, switch
Gas Distribution		50+	50+	Piping
Hot and Cold Water Distribution		50	50	
HVAC				
	Cooling only	15	15	
	Heat only	15	15	
	Heating and cooling	15	15	
Sanitary Waste and Vent System		25	25	
Sewage Ejectors		25	25	
Smoke and Fire Detection System, Central Panel		25	25	
Sump Pump				
	Residential	7	7	Replace
	Commercial	15	15	Replace motor
Boiler Room Equipment/Vents		25	25	
Boilers	Oil-fired, sectional	22	22	
	Gas/dual fuel, sectional	25	25	
	Oil/gas/dual fired, low MBH	30	30	
	Oil/gas/dual fired, high MBH	40	40	
	Gas fired atmospheric	25	25	
	Electric	20	20	
Combustion Air	Duct with fixed louvers	25	25	Replace
DHW Generation				
	Tank only, dedicated fuel	10	10	
	Boiler	15	15	
	External tankless	15	15	
	Instantaneous	20	20	
DHW Storage Tanks	Small (up to 150gals)	12	12	Replace
	Large (over 150gals)	7	7	Point tank lining
Domestic Cold Water booster Pumps		15	15	
Flue Exhaust		w/boiler	w/boiler	
Heat Exchanger (HRV)		35	35	
Solar Hot Water		20	20	Replace collector panels

## XIII. Market Study Standards

### A. Introduction

The market study determines if sufficient need for the proposed affordable development exists in the market area. Market study providers must include current demographic information and recommendations shall be based on current market conditions.

A market study must be conducted by an OHFA-approved, market study professional. To be approved, market analysts must follow the application requirements available on the website, have a membership in good standing with the National Council of Housing Market Analysts (NCHMA), undergo NCHMA's Member Designation Program, and abide by the NCHMA Model Content Standards for Market Studies for Rental Housing.

Any market study professional submitting inaccurate information will be removed from the list of OHFA-approved market study providers. The market study professional must complete the Market Study Checklist and organize the document according to that guide.

### B. Definitions

#### Absorption Period

The period of time necessary for a newly constructed or renovated property to achieve the stabilized level of occupancy. The absorption period begins when the first certificate of occupancy is issued and ends when the last unit to reach the stabilized level of occupancy has a signed lease. This assumes a typical pre-marketing period, prior to the issuance of the certificate of occupancy, of about three to six months. The month leasing is assumed to begin should accompany all absorption estimates.

#### Absorption Rates

The average number of units rented each month during the absorption period.

#### Assisted Living

A development type that meets all requirements of OHFA's Assisted Living Policy.

#### Capture Rate

The percentage of age, size and income qualified renter households in the PMA that the property must capture to achieve the stabilized level of occupancy. Funding agencies may require restrictions to the qualified households used in the calculation including age, income, living conditions and other comparable factors. The capture rate is calculated by dividing the total number of units at the property by the total number of age and income qualified renter households in the primary market rate area.

#### Demand

An estimate of the total number of market households that have both the desire and the ability to obtain the product and/or services offered.

#### Derived Rent

A payment made periodically by a tenant to a landlord in return for the use of land, a building, an apartment, an office or other property. The market analyst should derive their own recommended Housing Tax Credit (HTC) rent based on their perspective on both affordability constraints and the market for competitive HTC properties in the market area.

#### Fair Market Rents (FMR)

The amount of money a property with a certain number of bedrooms would rent or lease for in a certain area of the county if it was available.

#### Housing Tax Credit

The HTC program is a tax incentive program designed to increase the supply of quality, affordable rental housing by helping developers offset the costs of rental housing developments for individuals with low- to moderate-income. The HTC program requires that rents remain affordable for 30 years.



**Market Study**

A macroeconomic analysis that examines the general market, economic, and environmental conditions of supply, demand, and pricing or the demographics of demand for a specific area or property type. A market study may also include analyses of construction and absorption trends.

**Penetration Rate**

The percentage of age and income qualified renter households in the PMA that all existing and proposed properties, to be completed within six months of the subject, and which are competitively priced to the subject that must be captured to achieve the stabilized level of occupancy. Funding agencies may require restrictions to the qualified households used in the calculation including age, income, housing conditions and other comparable factors. Also see: Description of the Federally Subsidized Developments.

**Primary Market Area (PMA)**

A geographic area from which a property is expected to draw the majority of its residents. It is expected that the market analyst will use his or her experience and best knowledge to define the PMA (and Secondary Market Area, if any) for the development.

**Programmatic Rent**

The proposed rents for a HTC or other income restricted property relative to comparable market rate properties and rents being achieved at other HTC or other income-restricted properties in the market. Programmatic rent cannot be greater than maximum rents permitted by the HTC or other program regulations.

**Public Housing Authority (PHA)**

Public Housing Authority.

**Saturation Rate**

The point at which there is no longer demand to support additional units.

**Vacancy Rate: Economic**

Maximum potential revenue less actual rent revenue divided by maximum potential rent revenue.

**Vacancy Rate: Physical**

Average number of apartment units in any market which are unoccupied divided by the total number of apartment units in the same market, excluding units in properties which are in the lease-up stage.

## C. Content

At minimum, the market study must include all of the following sections. OHFA reserves the right to independently determine if a market exists for the proposed project and to require additional information and/or another market study. OHFA may also contact the market analyst during the review process if any required information cannot be found in the study.

**Executive Summary**

Provide an executive summary that briefly reviews all of the essential market study requirements and recommendations or suggested modifications and key findings to the proposed project. The executive summary should be as brief as possible to convey all necessary information, no more than one page in length if possible. Ensure explanations are clear and concise.

**Conclusion**

Concise conclusion by the author that indicates a market exists for the proposed project. The conclusion must include the estimated stable year vacancy rate and the estimated time needed to fully lease-up the proposed project. If the estimated stable year vacancy rate exceeds seven percent and/or the estimated lease-up time exceeds one year, provide a detailed explanation.

**Description of Proposed Site**

Description of the proposed project site.

**Description of PMA**

Description and map of the PMA for the proposed project, including the methodology used to determine the boundaries. Provide a detailed explanation if the PMA include any areas outside of a five-mile radius from the proposed project. Include a discussion of the health of the overall rental housing market in the PMA. All sites included in a project must be located within one PMA. In addition, if the demographics of the immediate site area are significantly different from the PMA, please provide population and household income and housing data for the immediate area. If this is an assisted living or independent living development, state the number of units serving that population.

**Rent Comparison Chart**

Create a Derived Rent and Programmatic Rent Comparison Chart showing pro forma and achievable rents ratio to maximum program rents, derived market rents, the current FMR rents and 90 percent FMR rents.

**Income Qualification**

Description of the number of income qualified renter households divided by the number units in the PMA, also known as the capture rate. The maximum income for this range would assume 1.5 persons per bedroom rounded up to the next whole person. If this exceeds 10 percent, provide a detailed explanation for the higher rate.

**Description of Public Services**

Description and evaluation of the public services (including transportation, police, fire department, schools, day care, library and community center), infrastructure (including roads and traffic), community services (including shopping, restaurants, parks, recreational facilities, hospital, health care facilities and services for special needs, if applicable) and employers in the PMA. Provide a list of the approximate distances to all the services. Include a map that clearly identifies the location of the project and all public and community services.

**Description of the Federally Subsidized Developments**

Description of the federally subsidized development projects that received Ohio Housing Trust Funds or HOME funds and HTC projects, both operating and not yet placed-in-service, located in the PMA. Projects that received Ohio Housing Trust Funds, HOME funds or HTC projects that were not placed-in-service must be included in the analysis. Provide the current vacancy rate for each project and include the persons contacted for each competing project and the method of contact. Compare the rents, amenities, unit sizes, bedroom sizes and populations served of the comparable projects to the proposed project.

The following information must also be included: name, location, population served, type of design, age and condition, number of units by bedroom type, rent levels, number of bedrooms and baths for each unit type, size (in square footage) of units, type of utilities and whether paid by tenant or owner and unit and site amenities. Comparisons to the subject rents should be based on comparable amenities, utilities, location, parking and any rental concessions. Identify specific reasons why comparable types are faring poorly in the market, if applicable. Projects that receive a reservation may be required to amend their market study to incorporate those other projects receiving an allocation in the same round and are located in the same PMA. A listing of projects that received Ohio Housing Trust Funds or HOME funds or HTC in service and in development is located on the [OHFA website](#). Calculate the ratio of subsidized projects that received Ohio Housing Trust Funds or HOME funds and HTC units to income eligible renter households.

**Vacancy Rates**

Estimate of the current vacancy rates of the Ohio Housing Trust, HOME and HTC funded projects include only those currently operating located in the PMA during the first stabilized year of the proposed project. If the estimated vacancy rate exceeds 10 percent for any project, provide a detailed explanation for the higher rates.

**Comparable Development**

Description of comparable market rate developments located in the PMA. Provide the current vacancy rate for each project and include the person(s) contacted for each competing project and the method of contact. Compare the rents, amenities, unit sizes, bedroom sizes and populations served of the competing projects to the proposed project. The following information must also be included: name, location, population served, type of design, age and condition, number of units by bedroom type, rent levels, number of bedrooms and baths for each unit type, size (in square footage) of units, type of utilities and whether paid by tenant or owner and unit and site amenities. Comparisons to the subject rents should be based on comparable amenities, utilities, location, parking and any rental concessions.

### Public Housing Concerns

Evaluation of any concerns or issues from the jurisdiction's PHA. The applicant or market study author must send a letter via certified mail to the local PHA. The letter must contain a brief description of the project and target population, instructions for the PHA to forward all comments to the market study author and a statement that all comments must be submitted within 30 days from receipt of the letter. If the PHA does not respond to the letter or comments are submitted after the 30-day comment period, the market study author does not need to analyze the issues or concerns of the PHA. Include in the market study a copy of the letter, certified mail receipt and copies of any letters from the PHA.

### Financial Interest

An executed original Market Study Certification. The market analyst shall have no financial interest in the proposed project. Financial interest is deemed to be any compensation other than the fee for preparing the market study. Furthermore, the fee assessed for the study shall not be contingent upon the proposed project being approved by OHFA.

### Data Sources

A list of all data sources used in the study.

### Assisted Living Developments

The market study must be customized to the affordable and assisted living markets and shall include an analysis of market penetration rates and competition. If the proposed development includes both assisted and independent living units, the market study must individually address both markets. The market study provider must have prior experience performing studies on assisted living properties.

The objective is to identify sites that are appropriate for the development of housing targeted toward low income to moderate income older adults age 55 and over. This portion of the market study will determine if specified assisted living housing will be compatible in the selected area and meet the needs of seniors. Market area housing for assisted living may differ from senior housing without services.

If the proposed development includes both assisted living and independent living units, the market study must individually address both markets in accordance with OHFA requirements for each.

In addition to the above, assisted living market studies shall also include the following:

- Projected resident characteristics, including the following:
  - The average age at assisted living entry;
  - AMGI level and income sources;
  - Residents per unit;
  - Medicaid-defined level of care
- Residents needing assistance with any of the following: dressing, bathing, hygiene, transportation and/or meals.
- Resident monitoring and amenities offered. Examples include meals, housekeeping, medication assistance, personal care services, medical services, transportation, 24-hour on-site management, laundry service.
- Comparable unit amenities, such as security systems, walk-in closets, roll-in showers, personal emergency response systems, private patio or balcony, additional storage.
- Market area demand and trends including a five-year growth forecast for the area within an 11-mile radius. If information needs to be pulled from a larger geographical area, provide an explanation.
- Growth forecasts that include population increases, demand for assisted living and independent living, aging population demographics
- Neighborhood amenities such as:
  - Location of amenities – close proximity to community activities and services
  - Fitness center – located on-site or at a nearby recreation center
  - Library – located on-site or nearby
  - Computer center – located on-site or nearby
  - Common outdoor areas
  - Health care facilities and pharmacies
- Waiting list length at comparable facilities in the PMA

## D. Model Content Standards for Rental Housing Market Studies

The following pages contain NCHMA's Model Content Standards for Rental Housing Market Studies, which are also [available online](#).

## XIV. Assisted Living Policy

The following outline identifies how the Ohio Housing Finance Agency (OHFA) will assess and underwrite housing development projects that include affordable assisted living (AL) services. These requirements will apply in addition to existing underwriting and eligibility requirements unless otherwise noted. This policy does not apply to bond transactions that do not utilize any other OHFA resources; however, assisted living developments may still be considered under that program.

### Eligible Programs

- 4% Housing Tax Credits (HTC)
- Bonds
- Multifamily Lending Program (MLP)

### Ineligible Programs

- Housing Development Assistance Program
- Housing Development Loan
- 9% HTC
- All other programs not specifically enumerated without written OHFA exception

### Experience (gained either inside or outside Ohio)

- **Developer:** At least one AL development licensed and certified or otherwise approved to accept Medicaid Assisted Living Waivers ("AL Waiver").
- **Operator:** At least two years' operating HTC. At least two years' operating AL after initial lease up, including accepting AL Waivers. HTC and AL experience may be obtained in separate developments.

All entities may partner with an existing provider to gain necessary experience.

### Affordability and Medicaid Assisted Living Waivers

Development must accept applicants "off the street" and cannot condition residency on ability to pay privately for any length of time (eg. cannot require "spend down" or "divesture" as a condition of tenancy). All developments must accept AL Waivers.

### Independent Living Units

Non-AL, independent living (IL) units may be funded without separate HTC application, provided all AL underwriting criteria, including, but not limited to, the higher Debt Coverage Ratio (DCR), is met for the whole development.

### Application Fee

A \$5,000 application fee will be assessed in addition to all standard fees.

### Reserves

OHFA will require a 15 percent increase to operating and replacement reserves; this requirement will be waived where the investor imposes comparable risk mitigation requirements.

### Lease

All units must have a written lease agreement with the resident that complies with the requirements in 26 U.S. Code Section 42 and OAC 5160-44-01.

### Design

The following design requirements shall apply:

- **Efficiencies:** Up to 50 percent of all units may be efficiencies. The number of efficiencies cannot be disproportionately reserved for HTC or AL Waiver residents. Efficiency units must be 350 sq ft or larger.
- **One Bedroom:** One bedroom HTC units must conform to one of the two following size requirements:
  - All HTC one bedroom units must be 450 sq ft; or
  - All HTC one bedroom units combined must average 500 sq ft
- **Two Bedroom:** Two bedroom HTC units are permitted by waiver with justification.
- **Common Space:** OHFA will consider waivers to common space limitations .



- **Kitchen Requirements:** Must be hard wired for stove, and stove must be made available at owner expense if requested and doing so would not pose a health or safety risk to the requesting resident.
- **Shared Rooming:** No “semi-private” rooms will be permitted.
- **Medicaid Requirements:** Must comply with the setting characteristics outlined in OAC 173-39-02.16 and OAC 5160-44-01

Facilities may be deemed a “Residential Care/Assisted Living Facility” under ORC 4101:1-3-01 section 308, Group I-1 (308.2 Assisted living facilities), or Group I-2 (308.3 Nursing homes) for purposes of the Ohio Administrative Code and/or Ohio Building Code and, if so, shall meet all requirements thereof.

### Services

All services must be optional and residents must have freedom to choose the service provider(s). Operator must give residents a statement regarding choice of service provider with 3701-17-57E notice and comply with person-centered planning outlined in OAC 5160-44-02.

Residency cannot be denied due to a person’s ineligibility for Medicaid AL services.

Because a health screening and annual assessment are a condition of occupancy as required by the Ohio Department of Health’s licensure, any charge for this service must be included in gross rent for purposes of section 42(g)(2)(A).

### Nursing

Developments shall not make available continual or frequent skilled nursing, medical, or psychiatric services. Intermittent skilled nursing care provided for 120 days or less pursuant to OAC 3701-17-59.1 may not constitute “continual or frequent” nursing. Skilled nursing that is privately contracted for by the resident and not made available by the development is not implicated in this requirement. OHFA has not evaluated the eligibility of memory care facilities and is not accepting applications containing that level of care. See further information on IRS requirements below; OHFA makes no representation regarding the IRS eligibility of any nursing activity.

### Underwriting Considerations

The following underwriting requirements will be applied:

- **Service Income:** Service income will be underwritten at a rate of \$70 per day per AL unit. This includes an underwriting assumption of one resident per unit; however, double occupancy is permitted.
- **DCR:** DCR must average 1.3 or higher for the affordability period.
- **Reserves:** Reserves in excess of those required for IL developments that are mandated or otherwise approved by OHFA may be excluded from cost containment analysis.
- **Cost Containment:** No other waivers will be granted on cost containment criteria.

### Market Study

The market study must be customized to the affordable and assisted living markets and shall include an analysis of market penetration rates and competition. If the proposed development includes both AL and IL units, the market study must individually address both markets in accordance with OHFA requirements for each.

### Other Application Requirements

The funding application must also provide the following:

- Owner and operator’s licensing history summary;
- Owner and operator’s inspection history summary;
- Owner and operator’s most recent inspection and licensing report(s);
- Development’s lease up plan including financing arrangements;
- Development’s tenant selection plan, including the conditions under which a two-bedroom unit will be rented to one person, if any.
- Development’s plan to enable residents to exercise service provider choice;
- Development’s policies and procedures for operation including policies and procedures required to meet the Ohio Department of Health Residential Care Facility licensure standards (OAC 3701-17-50 through 68) and the Ohio Department of Aging assisted living waiver provider certification standards (OAC 173-39-02 and 173-39-02.16)
- Development’s plan to fully integrate residents into the local community, including compliance with Home and Community Based Services regulations as outlined in OAC 5160-44-01

**Training**

Awardees may be required to attending a training and/or next steps meeting upon receipt of funding award.

**Application Notice**

Applicants that intend to submit an application for AL shall contact OHFA at least 45 days prior to the application submission date to establish a time to meet with staff and discuss the project. OHFA may publish the location of any proposed site(s) to prevent overlapping market areas for different applications.

**Waiver**

If OHFA determines that a project is unable to meet the above requirements, OHFA reserves right to waive any requirement(s) for proposals that do not use HTC's.

**Information Sharing**

As permitted by law, applicants must consent to the sharing of information between all government agencies OHFA deems necessary for efficient compliance and oversight.

**Legal**

All must maintain Residential Care Facility licensure issued by the Ohio Department of Health, Ohio Department of Aging certification as an AL Medicaid provider and conform to all applicable laws existing and/or as may be enacted at any point during the affordability period.

**Indemnification**

Owner must provide OHFA with an unlimited indemnification in all property operations and with regard to the performance of all services provided to the residents regardless of whether or not owner provides the services to the residents or contracts with another entity to provide the services. The resident rental agreement must include preapproved hold harmless language in favor of OHFA with regard to any and all matters.

**Disclaimer**

OHFA makes no representation as to Internal Revenue Service eligibility of proposed developments and strongly recommends each applicant pursue legal verification of the development's ability to qualify for housing tax credits. Developments will be required to provide a legal opinion for each proposal. In the unlikely event that a development proposes continual or frequent skilled nursing, medical or psychiatric services, OHFA reserves right to require a private letter ruling at developer expense.

OHFA makes no representation as to the availability of AL Waivers or of any applicant's eligibility for that program.

To qualify for enrollment on the Medicaid AL Waiver, an individual must have a "nursing facility level of care." Nursing facility level of care criteria is established in OAC 5160-3-08. The need for continuous nursing is not required for an individual to meet nursing facility level of care criteria. The Centers for Medicare and Medicaid Services require that waiver services may only be furnished to individuals who are determined to require the level of care furnished in a hospital, nursing facility or Independent Care Facility for Individuals with Intellectual Disabilities (ICF/IDD). Individuals accepted by HTC facilities in other states who are receiving waiver services were also determined, in accordance with each state's regulations, to require the level of care furnished in a hospital, nursing facility or ICF/IDD.

## APPENDIX: DESIGN AND ARCHITECTURAL STANDARDS

See separate document Design and Architectural Standards.