**Subsidy Layering Review Guidelines & Application**

In 2010, HUD granted the Ohio Housing Finance Agency (OHFA) the authority to complete Subsidy Layering Reviews (SLR). Public Housing Authorities’ (PHA) SLR Applicants may choose whether to complete this review through OHFA or through HUD. OHFA’s priority will be to complete this review for PHA SLR applicants concurrent with the review of the final application for Low Income Housing Tax Credits (LIHTC). In addition, only PHA SLR applicants that can provide a complete SLR Application with their final LIHTC Application should apply through OHFA.

OHFA’s Director of Multifamily Housing may consider completing an SLR for applicants who have already completed the review of the final LIHTC application, but have not yet placed in service. The Director will consider project specific circumstances. These types of reviews will require a SLR application fee of $5,000 as they are time consuming and OHFA will need to consider any changes that have occurred since the LIHTC final application underwrite.

For OHFA to complete the SLR, the project must receive a new Section 8 Project‐Based Voucher Housing Assistance Payments Contract (assistance provided under Section 8(o)(13) of the U.S. Housing Act of 1937 (42 U.S.C. 1437f)) and apply for LIHTC. Only PHAs may request OHFA to complete the SLR.

PHA SLR applicants must adhere to both OHFA’s Qualified Allocation Plan and Multifamily Underwriting Guidelines effective the year of allocation or award and HUD SLR Guidelines. OHFA will make public, and automatically adopt, any procedural or regulatory changes enacted by HUD pertaining to SLRs.

Pursuant to the HUD SLR Guidelines (Federal Register / Vol. 79, No. 187 / Friday, September 26, 2014 / Notices pg. 57959), there are two categories of reviews. OHFA will only complete Category 1 reviews.

The application fee for a Category 1 review for the SLR application is $5,000.

Submission Requirements

The PHA SLR Applicant must request an SLR by:

1. Submitting a SLR application that complies with Federal Register / Vol. 79, No. 187 / Friday, September 26, 2014 and HUD Administrative Guidelines: Subsidy Layering Review for Project Based Vouchers (Docket No. FR-6201-N-01) published in the Federal Register on February 28, 2020.

 Submitting the following items to request a SLR:

1. a hard copy of the required cover letter (see item 15 below),
2. the required fee,
3. all required documentation on a separate disk, and
4. each item should be a in PDF format except for the AHFA which must be in Excel. Please number each item according to the corresponding number in this application.

Timing and Process

OHFA will release the SLR Certification letter once the review is complete. It is our goal to have the review completed in two weeks.

Items listed under **DOCUMENTS TO BE SUBMITTED BY THE PHA TO OHFA FOR SUBSIDY LAYERING REVIEWS** are required per Federal Register / Vol. 79, No. 187 / Friday, September 26, 2014 / Notices pg. 57959 and HUD Administrative Guidelines: Subsidy Layering Review for Project Based Vouchers (Docket No. FR-6201-N-01) published in the Federal Register on February 28, 2020. Under each of those items, OHFA provided guidance, including the format and file name of each item.

**Project Name:**

PHA Contact Person:

PHA Contact Email:

Owner Contact Person:

Owner Contact Email:

PHA Number:

Field Office Name and Number:

The PHA is responsible for collecting all required documentation from the owner and providing OHFA with all documents required for the SLR. The documents must be forwarded to OHFA with a cover letter. If the initial submission to OHFA is incomplete, OHFA is in need of further documentation, or if new information becomes available, the PHA must provide the documentation to OHFA during the review process. The timeliness of submissions will impact the review period.

**DOCUMENTS TO BE SUBMITTED BY THE PHA TO OHFA FOR SUBSIDY LAYERING REVIEWS**

**1.** **Narrative description of the project.**

A short narrative including identifying ownership, type of activity (rehabilitation or new construction), location (including county), total units, requested PBV units, PBV type (RAD, VASH, regular), utility allowances, bedroom distributions, supportive services (if applicable) and residential population (homeless, veteran, elderly, low-income families). The narrative should also identify any exceptions applicable to the project (e.g. number of PBV exceeding the Project Cap. If only a portion of the units will receive project-based voucher assistance, this information is needed for both the project as a whole, and for the assisted portion.

*OHFA Specific Requirements: Provide a narrative including the required information. Make sure the narrative is consistent with the AHFA.*

**2**. **Sources and Uses of Funds Statement**

* ***Sources:*** List each source separately, indicate whether loan, grant, syndication proceeds, contributed equity, etc. Sources should generally include only permanent financing. If interim financing or a construction loan will be utilized, details should be included in a narrative (item 3 below).
* ***Uses:*** Should be detailed. Do not use broad categories such as ‘‘soft costs.’’ Acquisition costs should distinguish the purchase price from related costs such as appraisal, survey, titled and recording, and related legal fees. Construction and rehabilitation should include builder’s profit and overhead as separate items.
* ***Submit HUD Form 50156***

*OHFA Specific Requirements: Submit the most recent AHFA. Fill out each source and use completely. Include all current projected costs and permanent financing sources (loan, grant, syndication proceeds, equity, deferred fees, etc.) Ensure the information is consistent with the narrative and any commitment letters. Name the file AHFA.xls.*

**3.** **Narrative describing details of each funding source.**

For loans, details should include principle, interest rate, amortization, term, and any accrual, deferral, balloon or forgiveness provisions. If a lender, grantor, or syndicator is imposing reserve or escrow requirements, details should be included in the narrative. If a lender will receive a portion of the net cash flow, either as additional debt service or in addition to debt service, this should be disclosed in the narrative. Include IRS Form 8609, if available.

*OHFA Specific Requirements: Provide a narrative and bullet each construction and permanent source including hard, soft and forgivable debt. Include all the required information and ensure that the narrative is consistent with the AHFA and any commitment letters.*

**4.** **Commitment Letters from lenders or other funding sources evidencing their commitment to provide funding to the project and disclosing significant terms.**

Loan agreements and grant agreements are sufficient to meet this requirement. However, proposal letters and letters of intent are not sufficient to meet this requirement.

*OHFA Specific Requirements: If a loan or grant agreement is provided, it must be fully executed. Each source must have a commitment including any deferred developer fee or seller notes. Each letter must indicate the rate, term, amortization, fees and any reserve requirements or penalties associated with the funding. Commitment letters must be* ***firm*** *and without conditions for approval; however, closing conditions are acceptable. Commitment letters will not be accepted if they dated more than 6 months before we receive the application. HOME commitment letters must identify the requirements of the HOME designated units and intended rents. Name the file. 4. Commitments.pdf*

***5.*****Supportive Service Commitment.**

*When applicable, provide a signed Memorandum of Understanding (MOU) that describes the types of services to be provided, frequency, terms of service and resident eligibility.*

**6.** **Appraisal Report.**

The appraisal should establish the ‘‘as is’’ value of the property, before construction or rehabilitation, and without consideration of any financial implications of tax credits or project-based voucher assistance. An appraisal establishing value after the property is built or rehabilitated is not acceptable unless it also includes an ‘‘as is’’ valuation. The date of the appraisal must be within six months of the date of submission.

*OHFA Specific Requirements: In addition to the above requirements, the appraisal must also meet OHFA Appraisal requirements as indicated in the most recent Underwriting Guidelines. Name the file 6. Appraisal.pdf*

**7.** **Stabilized Operating Pro Forma.**

Should include projected rental, commercial, and miscellaneous income, vacancy loss, operating expenses, debt service, reserve contributions, and cash flow. The analysis must be projected over a 30 year period. Income and expenses must be trended at ­­­­\_\_\_\_\_\_ percent. *(See OHFA Specific Requirements below)*

*OHFA Specific Requirements: Submit the AHFA. Income and expenses must be trended at the percent indicated in the most recent Underwriting Guidelines. Include all required information. This file is submitted under item 2, as listed above. The project must meet all tests listed in Section VII of the HUD SLR Guidelines.*

**8.** **Tax Credit Allocation Letter.**

Issued by the State tax credit allocation agency, this letter advises the developer of the amount of LIHTCs reserved for the project.

*OHFA Specific Requirements: For 4%, Non Competitive Applications, OHFA will save a copy of the 42(m) Letter in the file if the project receives LIHTC. For 9% Competitive Projects, provide a signed copy of the Reservation Letter with the final application. Name the file 8. Allocation Letter.pdf*

**9.** **Historic Tax Credits.**

Some projects in designated historical districts may receive an additional one time historic tax credit. When applicable, the amount of the historic tax credit should be disclosed.

*OHFA Specific Requirements: Submit a commitment letter from the syndicator for the historic credits, make sure the information is consistent with the AHFA. Name the file 9. Historic.pdf*

**10**. **Equity Contribution Schedule.**

If equity contributed to the project will be paid in installments over time, a schedule should be provided showing the amount and timing of planned contributions. The schedule should be consistent with the equity investor commitment letter.

*OHFA Specific Requirements: Provide an equity investor commitment letter and detailed contribution schedule. Name the file 10. Equity.pdf*

**11.** **Bridge Loans.**

If the financing plan includes a bridge loan so that proceeds can be paid up front when equity contributions are planned over an extended period, appropriate details should be provided in a narrative separate from any commitment letters.

*OHFA Specific Requirements: Submit a commitment letter for the bridge loan. If you are applying for an OHFA Bridge loan, board approval must occur before OHFA can issue the SLR Certification. Any other bridge loan commitments must be included with the application. Name the file 11. Bridge Loans.pdf*

**12.** **Standard disclosure and perjury statement.**

*OHFA Specific Requirements: Submit Form HUD-2880. Name this file 12. Disclosure.pdf*

**13.** **Identity of Interest Statement.**

*OHFA Specific Requirements: Submit the Related Party Transaction Questionnaire for each member fo the development team, the form is available on the OHFA website. Name the file 13. Interest.pdf*

**14.** **PHA award letter for project-based voucher assistance.**

Identifying the housing authority’s approval of project-based voucher assistance for the project by number of units and bedroom distribution.

*OHFA Specific Requirements: Provide an award letter from the PHA for project-based voucher assistance. OHFA reserves the right to request PHA resolution confirming the commitment. Name the file 14. Voucher.pdf*

**15.** **Proposed project-based voucher gross rent amounts.**

*OHFA Specific Requirements: Complete the chart below for the proposed project. List each unit on a separate line. If additional space is needed, please provide the same information on a separate spreadsheet. Name the file 15. Rent Chart.pdf*

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| *Address* | *Unit Number* | *Gross Rent* | *Utility Allowance* |
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**16.** **Proposed project-based voucher gross rent amounts.**

Provide a separate letter from the PHA including a rent certification. The letter should document proposed contract rents, utility allowances, and gross rental amounts for assisted units. Include rent reasonableness documentation or comparability analysis as evidence of rent determination and certification.

*OHFA Specific Requirements: Name the file 16. Rent Reasonableness. pdf*

**17.** **Cover Letter from the PHA.**

*OHFA Specific Requirements: Submit a cover letter on PHA letterhead requesting that OHFA complete the Subsidy Layering Review. Name the file 17. Cover Letter.pdf*

**18. Environmental Clearance.**

Completion of the environmental review and environmental approval is required before AHAP approval can be granted. At the time of initial submission of the SLR request, submit evidence that a request for a part 58 review is submitted to the responsible entity or a part 50 review is submitted to the Field Office.

*OHFA Specific Requirements: Name the file 18. Environmental. pdf*

**18.** **SLR Guidelines and Application Form**

*OHFA Specific Requirements: Submit this completed application, both pdf and hardcopy. Name the file 19. SLR Application Form.pdf*

After completion of a review, OHFA will send a certification (model language below) to HUD and copy the PHA and project owner. Model certification language:

*For purposes of the provision of Section 8 Project Based Voucher Assistance authorized pursuant to 42 U.S.C. 8(o)13, pursuant to section 2835(a)(a)(M)(i) of the Housing and Economic Recovery Act of 2008 (HERA), Section 102 of the Department of Housing and Urban Development Reform Act of 1989, and in accordance with HUD’s Administrative Guidelines, all of which address the prevention of excess governmental subsidy, I hereby certify that the Section 8 project-based voucher assistance provided by the United States Department of Housing and urban Development to [Project] located in [City], Ohio, is not more than is necessary to provide affordable housing after taking into account other government assistance.*

The PHA is required to notify OHFA of material changes to the project sources, uses, and/or operations, as set forth in the HUD SLR Guidelines. OHFA may be required to re-evaluate the SLR should significant material changes be incurred in scope and costs of the project.

Please direct questions to Sylvia Accountius at saccountius@ohiohome.org.

The PHA is responsible for collecting all required documentation from the owner and providing OHFA with all documents required for the SLR. The documents must be forwarded to OHFA with a cover letter (list item17). If the initial submission to OHFA is incomplete, OHFA is in need of further documentation, or if new information becomes available, the PHA must provide the documentation to OHFA during the review process.

If the PHA does not submit the information requested by OHFA in a timely manner, OHFA will return the application to the PHA and will not complete the SLR.

**SLR Underwriting Standards**

General Requirements % of construction contract:

*must not exceed 6%*

Contractor Overhead % of construction contract:

*must not exceed 2%*

Contractor Profit % of construction contract:

*must not exceed 6%*

Developer Fee % of total project cost:

*must not exceed 15%*

20-year Hard Debt Coverage Ratio:

*1.10 minimum and 1.45 maximum*

*(calculate by taking average of Hard DCR for years 1 through 20 of stabilized period –see AHFA)*

20-year Cash Flow test percentage:

*must not exceed 10%*

*(calculate by taking sum of cash flow for years 1 through 20 of stabilized period divided by sum of operating expenses for years 1 through 20 of stabilized –see AHFA)*

Public Housing Authority:

**Authorized PHA Representative Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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**Authorized PHA Representative Signature Date**