A. Introduction

1. A great need does exist.
According to recent studies, news reports and conversations with advocates and local officials, the need for safe, decent, affordable housing is growing. Many people live in substandard housing or pay more than 30% of their income for housing. Providing affordable housing is a challenging task. Many obstacles exist including, but not limited to, lack of financing, land/building availability, high construction costs, and limited number of knowledgeable developers and contractors. Developing affordable housing is not a hobby or a part-time job. Developers must commit a large amount of effort, time and money to complete a development. They incur many financial risks and liabilities. One should fully investigate all the risks and work involved before undertaking a project.

2. Public resources are limited.
A common misperception exists that there are large subsidy and grant programs for housing and developers can access these monies easily at any time. In reality, public expenditures for affordable housing have been decreasing. Most programs do not have enough funding for the demand and involve a complex review process. In most cases, a developer must combine various funding resources to make a project work. There are very few direct grant programs.

3. What programs are available?
There are several incentive programs administered by local, state and federal governments and other entities. These programs include low-interest or deferred interest loans, tax benefits or credits, tenant rental subsidies, and in rare cases, grants. Before applying for funding, it is important to understand all of the rules, regulations and guidelines that pertain to each specific funding source. In order to determine which program is best, one should carefully consider the costs of putting an application for funding together and maintaining compliance with program rules.

B. Getting Started

1. Computer literacy and Internet access are a necessity. You can obtain a great amount of resources and information from the worldwide web. Spreadsheet and word processing programs are necessary to create applications for funding. E-mail is an invaluable communication tool among all the various partners who may be involved in a project.

2. Assembling a good development team is the first step for any deal. There are many companies and professionals in Ohio who specialize in affordable housing development. Some are more successful and knowledgeable than others, and it is very important to evaluate an organization’s or an individual’s past performance. In order to find knowledgeable people and firms, talk to current property owners; attend conferences and trainings, and/or contact regional, state, or national trade organizations. Even if an individual or organization intends to handle most of the work alone, OHFA recommends outside legal and accounting counsel that are familiar with affordable housing.

3. Site selection is critical. For most types of real estate transactions, including affordable housing, a good location is a key ingredient for success. A developer should fully analyze all potential construction/renovation, infrastructure, environmental, tenant relocation and marketing issues before acquiring a site or building. An inexpensive lot or building may have hidden costs that will make it very expensive over the long run.

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4. Developments should be market-driven rather than deal driven. It is very important to analyze the market a development will serve, especially for larger projects. Although overall there is a need statewide for more affordable housing, some areas do have soft rental markets. Early due diligence may help one avoid these locations.

5. Work with the local government early and often. Before applying for any public resources, developers should establish a good working relationship with the community. Local officials can help guide developers through the zoning, plan approval, and building permit processes. In addition, open and honest communication with local officials and the community can help minimize opposition to an affordable housing development. Having the support of the local government can help one’s chance in obtaining funds from other entities.

6. Create a reasonable financing plan and line up several potential resources. Resources for affordable housing developments are very limited and, in most cases, funding from one entity will not be sufficient. Affordable housing developments do not generate large amounts of cash flow and are sometimes difficult to finance; therefore, it is important to explore all potential funding sources and create alternative financing plans if some sources are not available. Many public entities require that all private resources be committed before applying for funds. Finding a knowledgeable lender early in the development process can be very beneficial.

7. Remember to plan. Managing an affordable property is just as or even more difficult than developing a property. Experience is necessary, in both staff and Management Company, especially for bigger properties. Developers should be fully aware of all compliance requirements that come with the public funding. Depending on the source, OHFA may assess significant financial penalties for non-compliance. A good management plan and staff are keys to sustaining a property over the long-term.

**C. Ohio Housing Finance Agency Programs**

The Ohio Housing Finance Agency (OHFA) is a State agency. An 11-member board appointed by the Governor oversees OHFA. Within OHFA, the Office of Planning, Preservation & Development administers the affordable housing incentive programs. OHFA reserves the bulk of resources for rental housing development.

1. **Housing Tax Credit (HTC) Program**

This program has been the largest driver of the production of new affordable housing in the state and nation. The amount of the tax credit is dependant on project costs. Owners can claim these federal income tax credits over a 10-year period. Although the credits only affect federal income taxes, states allocate the credits. Developers use the credits by selling them to investors to raise cash for the construction/rehabilitation costs. In return for the credits, OHFA places rent and income restrictions on the property for 30 years. Every year OHFA creates a Qualified Allocation Plan that describes the competitive application process for the credits. Due to the demand for credits, OHFA typically funds only 15% to 30% of the applications submitted. Experienced tax and legal counsel are necessary to structure a viable project.

2. **Affordable Housing Loans (AHL)**

Developers use Affordable Housing Loans in conjunction with housing credits. The loans help finance affordable housing projects by funding predevelopment activities, reducing construction interest, and increasing investor prices for housing credits. Borrowers must repay all funds and strong collateral is required.

3. **Housing Development Assistance Program (HDAP)**

Developers can use HDAP funds as low-interest, deferred payment loans or in some cases, grants. Portions of the funds are set-aside for housing credit projects. The remaining funds are set-aside for other projects, including both rental and homeownership projects. OHFA allocates these funds through a funding round. This is a potential source for smaller projects, but due to limited funding, OHFA cannot fund all applications. OHFA releases program guidelines each year, and these guidelines describe the eligibility, application and compliance requirements in detail. Knowledge of federal HOME program requirements is also necessary.
4. Multifamily Bond Program, a.k.a. Tax-Exempt Bonds
The Multifamily Bond program is essentially a low-interest construction/permanent loan program. The interest rate for the loan depends on the characteristics of the project and rating of the bonds. Before issuing the bonds, the application must receive an allocation of volume cap (authority to issue bonds) from the Ohio Department of Development or be a qualified 501(c)(3) organization. Developers also use non-competitive housing credits, which OHFA administers, as part of the financing structure. In order to recapture the costs of issuing the bonds, these projects tend to be larger in scale, usually exceeding 100 units in size. However, OHFA does not issue most multifamily bonds in Ohio; local governments issue the majority of multifamily bonds. OHFA does not recommend this program for inexperienced developers.

Developers wishing to apply for these programs must first review the program guidelines and attend a preapplication training session. Program guidelines, applications, training announcements, project lists, staff contact information and much more are located on OHFA’s web site: http://www.ohiohome.org

D. Web Resources
The following are web links to some of the other organizations/entities that provide resources, information and/or trainings regarding the development of affordable housing. OHFA cannot attest to the accuracy of information provided by sites listed below. Providing the addresses of these web sites does not constitute an endorsement by OHFA, or any of its employees, of the sponsors of the sites or the products presented on the sites.

1. Cities and Counties
   Links to selected city and county web sites
   http://www.odod.state.oh.us/CityandCountyLinks.cfm

   Ohio Conference of Community Development, Inc.
   http://www.occdo.org

2. Office of Housing and Community Partnerships
   http://www.odod.state.oh.us/cdd/ohcp

3. Office of Energy Efficiency
   http://www.odod.ohio.gov/cdd/oee/

4. Housing and Urban Development
   http://www.hud.gov
   http://huduser.org
   http://www.hudclips.org

5. Metropolitan Housing Authorities
   Ohio Housing Authorities Conference
   http://www.ohac.com

6. Rural Development
   http://www.rurdev.usda.gov/rhs

7. Historic Preservation
   http://www.ohiohistory.org/resource/histpres/index.html
   http://www.heritageohio.org

8. Federal Home Loan Bank – Cincinnati
   http://www.fhlbcin.com

9. Community Action Commissions & Local Non-Profit Organizations
   http://www.odod.state.oh.us/cdd/ocs
   http://www.ohiocdc.org

10. Lenders
    http://www.ohiomba.org

11. Other
    Coalition on Homelessness and Housing in Ohio (COHHIO)
    http://www.cohhio.org
    Affordable Housing Resource Center
    http://www.novoco.com/resource.shtml
    Ohio Homebuilders Association
    http://www.ohiohba.com
    National Low-Income Housing Coalition
    http://www.nlhhc.org
    Housing On-Line
    http://www.housingonline.com
    National Multi-housing Council
    http://www.nmhc.org
    Fannie Mae – Housing Resources & Information
    http://www.knowledgeplex.org

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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 for more information.