

2011 NCSHA Award Nomination
Ohio Housing Finance Agency



Rental Housing: Preservation and
Rehabilitation

Ohio Preservation Loan Fund

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Sean Thomas, Director of Planning, Preservation
and Development

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Over the next 10 years 21,000 project-based HUD Section 8 units in 424 projects are in danger of being taken out of the affordable, subsidized housing pool in Ohio due to the impending expiration of their Housing Assistance Payment (HAP) contracts. This represents half of the active units in the Ohio HUD inventory.

Ohio's inventory has already lost over 11,000 subsidized units since 1995 through contract expiration. The state's affordable housing inventory also includes nearly 9,000 project-based Rural Development subsidized units in 397 properties. According to the Columbus RD field office, about 80 percent of the portfolio is suitable for preservation. Preservation of units with expiring contracts is a high priority for the state.

In December 2007, The John D. and Catherine T. MacArthur Foundation ("MacArthur") announced a \$35 million initiative called the *Window of Opportunity*. This effort is designed to support policy analysis, data collection and expert assistance to encourage investment in the preservation of rental housing and sound policies at federal, state and local levels. The Ohio Housing Finance Agency (OHFA), the Ohio Capital Finance Corporation (OCFC)/Ohio Capital Corporation for Housing (OCCH), and the Coalition on Homelessness and Housing in Ohio (COHHIO) joined together to form the Ohio Preservation Compact in order to compete in this initiative. As the applicant to MacArthur, the Compact's application entailed six statewide initiatives which are to:

1. Develop and manage an on-line database/ clearing house of affordable housing data
2. Determine properties most at risk and develop strategies to save them
3. Identify, structure and close preservation deals
4. Provide technical assistance to owners and managers
5. Complete policy work surrounding preservation
6. Implement a scalable and sustainable Preservation Loan Fund

The Ohio Preservation Loan Fund (OPLF) was created to provide a flexible source of financing that is not available in the marketplace for developers of affordable housing. The OPLF offers three products: 1.) *predevelopment funding* (architectural drawings, permitting, professional fees, environmental investigation, and engineering), 2.) *acquisition financing* for existing projects, and 3.) *bridge financing* for investors of preservation projects. This revolving loan fund will fund 80 projects over a 10 year period and preserve 7,500 units of affordable housing.

The OPLF was launched in August 2010. Using the seed capital provided by MacArthur and matching funds from OHFA's general reserves, the Compact raised a total of \$18 million for the OPLF. Listed below are the investors in the OPLF.

Investor	Amount Invested
US Bank CDC	\$1,346,077
Key Corp CDC	\$769,135
Huntington CDC	\$577,403
WesBanco	\$576,827
PNC Bank	\$769,135
National Cooperative Bank	\$192,192
Fifth-Third Bank Participation	\$769,231
PNC Community Development Company LLC	\$4,000,000
Ohio Housing Finance Agency	\$4,000,000
Ohio Capital Finance Corporation (OCFC) - OCCH	\$1,000,000
MacArthur Foundation	\$4,000,000
TOTAL:	\$18,000,000

MacArthur, OHFA and OCFC funds are lent into the fund at below market rate interest. The private lenders receive a higher rate of return for their investment. However the overall blended interest rate for the fund is below market which makes the funds attractive for developers needing financing for their projects.

Upon the completion of a rigorous three stage process, including an on-site due diligence review conducted by third party consultants for MacArthur, the Compact was named an awardee. Out of a total selection pool of 80 applications, the Compact was one of two organizations to receive the maximum award of \$5 million. The award is broken into three parts:

1. A \$500,000 grant to cover the costs of implementing Initiatives number one through five above
2. A \$500,000 grant to OCFC to serve a loan loss reserve for Initiative number six
3. A \$4 million program related investment (PRI) to serve as seed capital to the OPLF

OHFA also set aside \$1 million for a loan loss reserve. These funds together with the \$500,000 grant from MacArthur and \$1 million for OCFC, also helped to encourage private lenders to invest into the OPLF. The loans are approved by a Loan Committee consisting of staff representing all the Compact members. OCFC administers the OPLF.

Within only ten months of operations, the OPLF had begun to evolve and made 17 loans totaling over \$194.5 million and assisted in the preservation of over 1,200 units. In 2011, eight loans were made through the OPLF totaling \$5,033,617. The projects funded are as follows:

1.) Boston Commons Apartments received an *equity bridge loan* of \$475,000. Boston Commons Apartments are located in New Boston, Ohio. The apartment complex was originally constructed in 1979 to provide 50 affordable units of multifamily housing. The Knoll Group Management Company manages Boston Commons Apartments and also manages 20 other affordable housing developments.

2.) Concord Apartments received an *equity bridge loan* of \$780,000. Concord Apartments are located in Newark, Ohio. The apartment complex was constructed in

1970 to provide 50 affordable units of multifamily housing. The developer Millennia Housing has been managing Section 8 housing and tax credit properties since 1995.

3.) Melford Village Apartments received an *equity bridge loan* of \$985,000. Melford Village Apartments are located in Spencerville, Ohio. The apartment complex was constructed in 1982 to provide 38 affordable units of multifamily housing. The developer Millennia Housing has been managing Section 8 housing and tax credit properties since 1995.

4.) Newark Townhomes received a loan from the OPLF of \$150,960. Newark Townhomes are located in Newark, Ohio. The townhomes were constructed in 1980 to provide 51 affordable units of multifamily housing. The developer Buckeye Community Hope Foundation has been developing affordable housing and related programs/services since 1991.

5.) Doan Classroom Apartments received a loan from the OPLF of \$1,122,000. The Doan building is in Cleveland, Ohio. The building is an existing structure that will be rehabilitated to provide 41 one-bedroom units and four efficiency units. The developer Famicos Foundation is a strong CDC that has been helping residents through its focus on creating affordable housing.

6.) Wilshire Place Apartments received a *predevelopment loan* of \$153,000. The apartments are in Lima, Ohio. The apartment complex was constructed in 1981 to provide 40 affordable units of multifamily housing. The property manager Gorsuch Management of Fairfield Homes manages more than 85 HUD Section 8, tax credit, Rural Development and conventional properties in Ohio.

7.) Golden Manor Apartments received a *predevelopment loan* and an *acquisition loan* of \$733,478. The apartments are in Hillsboro, Ohio. The apartment complex was constructed in 1980 to provide 44 affordable units of senior housing.

8.) Hi-Land Terrace Apartments received a *predevelopment loan* and an *acquisition loan* of \$634,179. The apartments are located in Hillsboro, Ohio. The apartment complex was constructed in 1972 to provide 48 affordable units of multifamily housing.

The Compact has seen a steady increase in loan demand. Based upon the current pipeline, it is anticipated that all loan funds will be fully deployed by June 30 and begin to revolve.

HFA: Ohio Housing Finance Agency

ENTRY NAME: Ohio Preservation Loan Fund



**THE OHIO PRESERVATION LOAN FUND
LENDING GUIDELINES AND TERM SHEET**

For information, please contact:
Ohio Capital Finance Corporation
88 East Broad Street, Suite 1800, Columbus, Ohio 43215
614.224.8446 (p) 614.224.8452 (f)

THE OHIO PRESERVATION LOAN FUND

PURPOSE

The Fund provides a flexible source of capital to be utilized by the development partners of the Ohio Capital Corporation for Housing (OCCH), the Ohio Housing Finance Agency (OHFA), and the Coalition on Housing and Homelessness in Ohio (COHHIO) for the preservation of affordable housing in Ohio. The Preservation Fund offers *predevelopment funding* (architectural drawings, permitting, professional fees, Phase I, engineering costs, etc.), *acquisition financing* for existing projects, and *bridge financing* for preservation projects that have completed the tax credit compliance period.

LENDER

The Lender is the Ohio Preservation Loan Fund, LLC and is operated by the Ohio Capital Finance Corporation. It is an \$18M revolving loan fund comprised of investors and participants including: The John T. and Catherine D. MacArthur Foundation, Ohio Housing Finance Agency, PNC Community Development Company LLC, US Bank, Key CDC, Fifth-Third Bank, WesBanco, The Huntington CDC, and National Cooperative Bank and the Ohio Capital Finance Corporation.

GENERAL REQUIREMENTS AND LENDING GUIDELINES

- All Projects must be located in Ohio
- All Loans must have a likely and plausible payoff strategy
- Preservation is defined as an affordable residential rental property that is at risk of losing tenant rental subsidy or have expiring rent and/or occupancy restrictions and/or are financed with HUD programs (such as, Section 8, Section 202, Section 236 or Section 811 programs), USDA Rural Development programs, Tax Credits, and/or public housing programs.
- All Projects must have 100% of the units affordable to and occupied by residents earning less than 60% of the area median income
- All Projects may entail multi-family properties of at least 25 units.
- The minimum loan amount for a predevelopment loan is \$25,000
- The minimum loan amount for an acquisition loan is \$250,000
- Borrowers may be nonprofit, public housing authorities or for-profit entities.
- Each Borrower (i.e. developer, guarantor, general partner, etc.) must be in good standing with OHFA
- Interest accrues and is due semiannually (Dec 15th and June 15th) with principal payable upon repayment of the Loan.
- Borrower is responsible for all 3rd party fees including: legal, title, and recording
- There are no prepayment penalties
- Developer Fees and operating costs are not eligible funding costs
- All Loans are expected to close and fund within 30 days of approval. Loan extensions may be granted upon a written request from the borrower.
- The maximum lending limit per transaction for is \$5,000,000 (not including fees)
- The maximum lending limit per Borrower is \$5,00,000 (not including fees)
- Servicing and Origination Fees may be borrowed in addition to the maximum loan amount
- A borrower may utilize both an acquisition loan and predevelopment loan.

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OPLF TERM SHEET

	PREDEVELOPMENT LOAN	ACQUISITION LOAN	Y15 BRIDGE LOAN
ELIGIBILITY	Available to experienced developers of affordable housing. Preference is provided for developers who have closed on at least one Preservation transaction.	Available to experienced developers of affordable housing. Preference is provided for developers who have closed on at least one Preservation transaction.	Available to experienced developers of affordable housing. Preference is provided for developers who have closed on at least one Preservation transaction.
LOAN AMOUNT	Maximum Loan Amount: Maximum \$150,000+fees	Maximum Loan Amount: Maximum \$5,000,000+fees	Maximum Loan Amount: \$1,000,000+fees
ELIGIBLE USES	The predevelopment loan provides funding for costs such as reservation fee, market study, phase I, engineering and design fees, professional fees, bank commitment fees, etc.	The acquisition loan can be used to acquire the land or buildings for affordable housing	Short Term bridge financing for the purposes of disposition or resyndication of affordable housing at the end of its 15-year compliance period. It can also be used to payoff the balloon of a first mortgage before a project can be refinanced, sold to a third party, or resyndicated
INTEREST RATE	Variable with floor of 3.5%*	Variable with floor of 3.5%*	Variable with floor of 3.5%*
PREPAYMENT PENALTY	None	None	None
ORIGINATION FEE	The greater of \$1,000 or 1%	The greater of \$1,000 or 1%	The greater of \$1,000 or 1%
SERVICING FEE	The greater of \$1,000 or 1%	The greater of \$1,000 or 1%	The greater of \$1,000 or 1%
CLOSING COSTS	\$500 document preparation	\$500 document preparation + legal and closing costs	\$500 document preparation + legal and closing costs
COLLATERAL	Developer guarantee and assignment of general partner interest	1 st mortgage, developer guarantee and assignment of general partner interest	1st mortgage, developer guarantee and assignment of general partner interest
TERM	The earlier of the construction loan closing or 36 months	The earlier of the construction loan closing or 36 months	Less than 36 months
LOAN TO VALUE	Not Applicable	Limited to 100% of purchase price	Maximum of 75% of As Is Appraised Value

*The Preservation Loan Fund's interest rate is a blended rate and can be provided upon request.

To apply for a loan from the Fund, please go to http://www.occh.org/predevelopment_lending