



December 5, 2025

Barbara Richards
Multifamily Housing Director
Ohio Housing Finance Agency
2600 Corporate Exchange Drive, Suite 300
Columbus, OH 43231

Re: Comments on the second draft of the *Multifamily Rental Underwriting Guidelines*

Dear Ms. Richards,

Thank you for the opportunity to comment on the second draft of the *Multifamily Rental Underwriting Guidelines*. OHFA was highly responsive to the priority concerns we raised in our initial comments, particularly around tax abatement documentation, equity pricing stress tests, and financing commitment language, and this draft reflects meaningful improvements as a result. We appreciate that responsiveness and the collaborative approach OHFA continues to bring to policy development.

We also appreciate OHFA's commitment to serving as good stewards of limited state resources and ensuring meaningful rehabilitation of Ohio's affordable housing stock. One of the strengths of our relationship is OHC's ability to help identify unintended consequences of well-intended policies before they take effect. We offer the following comments on three provisions in that spirit.

Minimum Hard Construction Costs

We understand the board's concern about ensuring an adequate rehabilitation scope of work relative to developer fee, particularly in light of recent projects that have raised questions about this balance. This is a legitimate issue that warrants attention. However, establishing a fixed \$60,000 per unit minimum creates significant problems:

- **Geographic Variations:** Construction costs vary dramatically across Ohio. What \$60,000 purchases in Cleveland differs substantially from what it buys in rural Appalachia. A statewide minimum necessarily becomes either too restrictive in some markets or too permissive in others.
- **Asset-Type Variations:** The same dollar amount produces dramatically different outcomes depending on project characteristics. Garden apartments versus scattered site. Two-story versus single-story. Properties requiring elevator

modernization versus those without elevators. Rural Development portfolio properties often start from a different baseline than conventional multifamily.

- **Economies of Scale:** Larger projects often achieve lower per-unit costs despite comprehensive, high-quality rehabilitation. A 200-unit property might accomplish meaningful work at a lower per-unit cost than a 40-unit property doing similar improvements.

More fundamentally, this approach addresses the symptom rather than the underlying concern. A \$60,000 rehab scope tells you nothing about whether the HVAC system was replaced, the roof repaired, or the plumbing updated. It's just a number that may or may not correlate with actual building improvements.

Our Recommendation

Remove the specific dollar threshold from these guidelines. OHFA's *Design and Architectural Standards* ("DAS") provide the appropriate framework for establishing minimum rehabilitation requirements based on building systems and physical needs rather than arbitrary dollar amounts. We're excited about OHFA's recently-launched effort to revise the DAS through a collaborative process, beginning with the listening session at the Ohio Housing Conference. That effort, with its focus on making development easier while preventing a race to the bottom, provides the right venue for establishing nuanced, market-appropriate standards for rehabilitation scope.

For these underwriting guidelines, we recommend language that preserves OHFA's ability to address the legitimate concern about proportionality without imposing an inflexible standard. Something like: "OHFA reserves the right to limit paid developer fee on projects where rehabilitation scope is not commensurate with the overall project financing and requested OHFA resources."

This approach accomplishes several goals: it gives OHFA explicit authority to address problematic deals; it maintains flexibility for legitimate preservation and rehab projects that may have lower per-unit costs; it acknowledges that different funding sources warrant different levels of scrutiny (competitive 9% resources versus non-competitive 4% deals); and it allows OHFA staff to exercise professional judgment based on the totality of the project rather than a single metric.

The DAS revision process can then establish appropriate physical standards for rehabilitation scope, while competitive program guidelines (like the QAP) can establish higher thresholds for projects seeking scarce resources. This allocates each concern to the appropriate policy document and prevents the scope creep that occurs when financial standards documents start incorporating physical requirements, or vice versa. It addresses

what we understand to be the board's core concern—preventing resource extraction through light rehabs with outsized fees—without the collateral damage of restricting legitimate projects that don't fit a one-size-fits-all standard.

Construction Interest in Eligible Basis

The new limitation on construction loan interest in eligible basis is unnecessarily restrictive. OHFA should instead leverage the robust oversight mechanisms already built into the tax credit financing structure.

Tax credit deals involve extensive oversight from multiple sophisticated parties: investors conducting their own underwriting to protect their capital, accountants ensuring compliance with tax regulations, syndicators reviewing every aspect of the financing structure, and tax counsel providing legal opinions on Section 42 compliance. These parties have strong financial incentives to get the details right.

Construction interest treatment exemplifies this. Determining the appropriate amount to include in eligible basis is complex and project-specific, involving careful analysis of construction duration, number of buildings, placed-in-service dates, the range of construction funding sources, and whether interest is paid versus accrued during construction. The calculation directly impacts both credit pricing and compliance with the 25% bond test for 4% deals. This isn't an area where developers have room for creative interpretation. Tax counsel won't issue an opinion if the treatment is aggressive, and investors won't close if they're uncomfortable with the tax position.

OHFA doesn't need to establish its own limitations in areas where sophisticated third parties are already providing rigorous oversight. Tax opinions from qualified counsel ensure compliance with Section 42. The existing review process, involving the developer's accountant, syndicator, and tax counsel, provides robust protection without adding another layer of agency review that duplicates work already being done by parties with actual expertise in tax credit basis calculations.

Our Recommendation

Remove this language entirely. The construction interest treatment should continue to be determined through the existing professional review process that already governs these technical tax matters.

Related Party Acquisitions and Cash to Seller

The revised language regarding related party acquisitions represents a significant step in the right direction. We recommend one additional clarification: the restrictions on cash to

seller should explicitly apply only to transactions involving limited OHFA resources (9% OLIHTC, HDAP, etc.) as specified in the first paragraph of the section.

Cash to seller should remain *expressly* permissible for 4% only transactions that don't draw on these limited, competitively-allocated resources. This clarification prevents confusion at closing. We've seen deals upended at the eleventh hour when OHFA unexpectedly raised concerns about cash to seller in transactions where the agency's review authority was unclear. Given that 4% credits are functionally unlimited and available by-right rather than through competition, there's no resource stewardship rationale for restricting cash to seller in those deals.

We appreciate the substantial improvements reflected in this second draft and look forward to the finalized guidelines.

Sincerely,



Ryan Gleason
Executive Director

cc: Bill Beagle, Executive Director, Ohio Housing Finance Agency
Matt Sutter, Senior Director of Housing Programs, Ohio Housing Finance Agency