



November 11, 2025

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

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

Dear Ms. Richards,

On behalf of the Ohio Housing Council (OHC) membership, thank you for the opportunity to comment on the first draft of the *Multifamily Rental Underwriting Guidelines*. We appreciate OHFA's continued commitment to transparent, stakeholder-driven policymaking and recognize the substantial effort involved in updating these comprehensive standards.

The updated guidelines reflect several improvements in clarity and structure. We offer the following comments to strengthen the final version and ensure it supports financially viable, well-maintained affordable housing developments across Ohio.

Priority Concerns

Tax Abatement Documentation Requirements

The draft requires applicants to "provide an estimation from the County Auditor (or equivalent taxing authority) supporting the projected abatement amount" as part of demonstrating financial commitments. This requirement creates serious practical and policy problems that could undermine legitimate development projects.

Tax abatements are granted through a transparent, public process by elected bodies—city councils, county commissioners, or similar authorities. These bodies deliberate, vote, and approve abatements in public meetings with documented records. The draft language, however, gives unilateral power to a single individual—the county auditor, who is also an elected official—operating outside this public process. A developer could secure formal abatement approval from the governing body yet become ineligible for OHFA financing—or unable to claim points—simply because the county auditor declines to provide a letter. Because county auditors are elected officials, they may face political pressure to oppose

affordable housing developments in their jurisdictions, creating a non-transparent veto point over projects that have already received legitimate public approval.

Different municipalities handle tax abatements through varying processes and timelines. In some jurisdictions, including Cleveland, abatements are granted by right once certain conditions are met, with no individual letter issued until after project completion and inspection. In others, the abatement is contingent on meeting specific milestones that cannot be certified until construction is complete. Requiring a county auditor's estimation at application effectively creates a subjective, behind-closed-doors hurdle that undermines legitimate public approvals and gives inappropriate NIMBY power to a single elected official.

We strongly recommend removing the county auditor letter requirement entirely. If OHFA is concerned about unrealistically low operating expense projections supported by speculative abatement claims, address this through the operating expense reasonableness review process. Require applicants to provide documentation of the governing body's abatement approval (resolution, ordinance, or meeting minutes) and reserve the right to adjust underwriting if projected property tax savings appear inconsistent with the approved abatement terms. If OHFA believes documentation from the taxing authority is necessary, the requirement should be for confirmation from the granting body—not the auditor—and should be structured to accommodate varying municipal processes and timelines.

Replacement Reserve Increases

The draft increases replacement reserve requirements by approximately \$50 per unit annually across all categories. While the increases are modest, they will reduce permanent loan amounts and potentially decrease the total number of units that can be financed across the portfolio.

We have had many conversations with OHFA about the critical need to be relentless in efforts to decrease the costs of affordable housing development. Every additional cost requirement—even seemingly small ones—reduces leverage capacity and ultimately results in fewer units being built or preserved. We are unaware of systemic problems with property conditions or inadequate reserve funding that would justify these increases. If OHFA has observed widespread deferred maintenance or property deterioration stemming from insufficient reserves, we would welcome that information and would support targeted increases to address documented problems. Without a clear rationale, however, this change appears to reduce financing capacity without a corresponding benefit to long-term property quality.

We recommend OHFA either provide the evidence and reasoning behind these increases or return to the previous reserve levels.

Equity Pricing Stress Test Requirements

The draft requires applicants to "provide sensitivity scenarios (e.g., equity pricing +/- \$0.05) and demonstrate that the project remains feasible under conservative assumptions." We understand this requirement likely stems from recent equity pricing volatility—projects awarded in one environment may face significantly different pricing at closing, creating feasibility concerns. The concern is legitimate. However, requiring every applicant to stress test for a five-cent swing in either direction creates an unnecessarily high bar that few projects could meet, particularly when considering a five-cent *increase* in pricing.

Rather than making stress testing universal, we recommend authorizing OHFA to require it when underwriting identifies a significant outlier. If an applicant projects equity pricing substantially above the market average based on national equity trends or other applications in the round, OHFA should be able to require either verification that the pricing is firm (not just an early, conditional commitment) or demonstration that the project remains feasible if pricing reverts to the mean. This approach addresses OHFA's legitimate concern about optimistic pricing assumptions while avoiding an across-the-board requirement that adds limited value in most market conditions.

Financing Commitment Language Consistency

The draft's language regarding conditional financial commitments differs from the corresponding language in the QAP, particularly around what constitutes acceptable documentation and the level of detail required. The QAP states that "Letters of interest or preliminary proposals without firm terms will not be accepted" and requires commitment letters to include specific elements: loan/grant amount, term, amortization schedule, interest rate, fees, reserve requirements, and lien position. The QAP also explicitly states that "Commitment letters may contain standard conditions but may not include any language indicating that funds are not committed, restricting the sharing of the commitment letter, or indicating that the commitment letter is for discussion purposes only."

The Underwriting Guidelines contain similar requirements but use slightly different phrasing in places and don't include the explicit prohibition on restrictive language found in the QAP. For equity commitments specifically, the Underwriting Guidelines add a requirement for "sensitivity scenarios (e.g., equity pricing +/- \$0.05)" that isn't present in the QAP's equity commitment section.

We recommend OHFA maintain consistency across documents to avoid confusion and ensure applicants can rely on uniform standards regardless of which document they reference. When similar requirements appear in both documents, the language should be identical. Where one document contains additional detail or requirements not found in the other, OHFA should either add that language to both documents or clearly indicate which document controls for specific situations. Developers shouldn't need to cross-reference multiple guidelines to understand a single requirement.

Secondary Concerns

Operating Expense Documentation and Timing

The draft states: "Applicants should also specifically address insurance and property tax assumptions given recent market volatility." It's unclear whether OHFA expects applicants to submit verification letters with the application or whether this refers to documentation OHFA may request during underwriting if assumptions appear unreasonable. Since this isn't listed as a threshold application requirement in the QAP, we recommend clarifying the timing and format of any expected documentation.

Annual Income Escalation Assumption and Cash Flow Requirements

The draft creates different cash flow projection requirements based on funding sources: 15 years for projects with LIHTC only; "the affordability period" for projects with HDAP only; and "the longer of the LIHTC compliance period or the HDAP affordability period which includes any extended affordability period" for projects with both LIHTC and HDAP.

We question what OHFA is attempting to accomplish with these varying requirements and whether OHFA has fully considered the implications. If OHFA intends to require cash flow projections beyond the 15-year compliance period and extending through affordability periods that could reach 30 years, this creates practical challenges. The current AHFA template cannot accurately model scenarios beyond year 15, as permanent debt typically matures within 15-17 years and would require refinancing with assumptions about future interest rates and market conditions that cannot be reliably projected decades in advance.

We recommend OHFA clarify its intent with this language and ensure the guidelines and tools align with whatever analysis OHFA actually expects applicants to perform.

Related Party Acquisition Progress

We appreciate the progress OHFA has made in recognizing legitimate costs beyond third-party debt in related-party acquisition scenarios. The updated language appropriately allows recovery of verified debt payoffs and documented holding costs, which represents meaningful improvement. We recognize that multiple scenarios remain difficult to address

within a single framework: Year 15+ situations where limited partners require value recognition to exit; properties purchased on balance sheet without third-party debt but with substantial interim investment; syndicators requiring value extraction as a condition of exit; and existing partnerships with multiple unrelated parties where some partners expect sales proceeds.

We acknowledge OHFA's progress on this issue and ask that OHFA remain open to continuing dialogue as these scenarios arise. Rather than prescriptive language now, we suggest OHFA maintain flexibility to evaluate these situations case-by-case, with the understanding that sometimes enabling an ownership transition—even with some return to existing owners—better serves preservation goals than forcing a third-party sale.

Cost Containment Exception Process

The draft maintains a structure where applicants must meet one of two cost containment standards (TDC per unit or TDC per square foot) or request an exception. The exception language provides examples of circumstances that might justify higher costs but also includes a requirement for "third-party cost analysis" when costs exceed standards. OHFA's underwriting guidelines increasingly tie OHFA's hands with prescriptive language like "exception requests will only be considered for the following reasons." Real estate development is complex. Unanticipated circumstances arise. Overly rigid exception frameworks prevent OHFA from exercising reasonable discretion when projects clearly advance program goals but don't fit predetermined boxes.

Requiring a "third-party cost analysis" may mean different things to different applicants and creates unnecessary ambiguity about what documentation will satisfy the requirement. For those with in-house construction expertise or related-party general contractors, this could mean securing a cost estimate from an unrelated GC—a process that produces limited value and may not reflect the actual project delivery approach. We recommend replacing "third-party cost analysis" with language that provides appropriate flexibility while maintaining clear standards: "Applicants must provide a narrative explanation and supporting cost documentation when TDC/Unit or TDC/GSF exceeds standards. OHFA may request additional cost verification, which could include independent cost estimates, detailed line-item breakdowns with contractor quotes, or comparison to similar completed projects, depending on the nature and magnitude of the cost variance."

This approach gives OHFA the tools to request appropriate documentation based on the specific circumstances while making clear to applicants what types of supporting materials may be required. It maintains accountability without creating a one-size-fits-all requirement that may not fit every situation.

More broadly, we encourage OHFA to avoid tying its own hands with exhaustive lists of acceptable exceptions. Language like "OHFA may consider exceptions where applicants demonstrate..." provides better flexibility than "exceptions will only be granted for reasons A, B, and C."

Market Study Pipeline Requirements

The draft adds language requiring market studies to "identify and analyze pipeline developments in the PMA (projects awarded funding or in construction but not yet stabilized)." This appears to codify existing practice, as most market studies already include pipeline analysis. We recommend confirming with your preferred market study providers that this language doesn't create new obligations or require access to data they don't currently have. If it simply documents current practice, we have no objection.

Preserved Affordability and Income Targeting

The draft includes two references to requiring preserved affordability projects to maintain existing restrictive covenant income targets—one in the opening section on Preserved Affordability and another in the Appraisal Requirements section regarding as-is restricted value based on existing covenants. OHFA has historically been willing to amend restrictive covenants during recapitalization, particularly when existing covenants contain outdated or unusual income targets (e.g., 42% AMI targeting from early-2000s scoring mechanisms) and the applicant commits to a mix that includes deeper affordability.

We are concerned that this language could be interpreted as eliminating OHFA's flexibility to amend restrictive covenants as part of the recapitalization process. We strongly believe covenant amendments should remain available, particularly for older properties with outdated targeting requirements. If the language is simply intended to clarify that underwriting will be based on existing restrictions unless and until amendments are processed, we recommend OHFA make that timing clear and describe the process for requesting amendments. If the intent is to require applicants to obtain covenant amendments before submitting applications, we recommend OHFA provide adequate advance notice of this process change and ensure sufficient time in the application timeline for amendments to be processed. We would be concerned about any policy that eliminates the possibility of covenant amendments entirely, as this would create unnecessary barriers to the preservation of affordable housing.

Syndicator Asset Management Fee Cap

The draft caps investor/syndicator asset management fees at \$100 per unit per year. For projects under 50 units, this cap may be substantially lower than syndicators' standard fees, which often range from \$5,000 to \$10,000 annually regardless of project size. A 24-

unit project, for example, would be capped at \$2,400 annually—well below typical market rates for asset management services.

We question whether OHFA has fully considered the implications of this cap on smaller developments and whether syndicators will be willing to accept fees that may not cover their actual costs for these projects. If the goal is cost containment, we understand the intent, but this cap may have unintended consequences for the feasibility of smaller projects or could reduce the pool of syndicators willing to work on projects below a certain size threshold. We recommend OHFA clarify the rationale for this specific cap level and consider whether a tiered structure or minimum annual fee might better serve both cost containment goals and the continued viability of smaller affordable housing developments.

Conclusion

We appreciate OHFA's commitment to developing underwriting guidelines that balance financial feasibility with prudent stewardship of limited resources. The draft reflects substantial work and represents progress in several areas.

The tax abatement documentation requirement stands out as an issue requiring significant revision. The other concerns we've raised vary in scope and urgency, but all merit consideration as OHFA finalizes these guidelines.

As always, we remain available for further discussion and appreciate your partnership in strengthening Ohio's affordable housing programs.

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