AN OVERVIEW OF THE OHIO PRESERVATION COMPACT AND OHIO PRESERVATION LOAN FUND

JULY, 2010
The Ohio Preservation Compact

- Ohio Housing Finance Agency (OHFA)
- Coalition on Homelessness and Housing in Ohio (COHHIO)
- Ohio Capital Finance Corporation (OCFC) / Ohio Capital Corporation for Housing (OCCH)
The Compact Initiatives:

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 TA to owners and managers
5. Complete policy work surrounding Preservation
6. Implement a scalable and sustainable Preservation Loan Fund
The Ohio Preservation Loan Fund

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

- The Loan Fund opened for business in August 2010 and has an initial term of 5 years.
- Currently sized at $18M with potential for increase to $25M.
- Investors and Participants include:
  - MacArthur Foundation - OHFA - OCFC
  - National Cooperative Bank - Fifth Third Bank - WesBanco
  - US Bank - Key CDC - Huntington CDC
  - PNC Community Development Company
- Origination, underwriting and serving are provided by Ohio Capital Finance Corporation.
- Funding decisions are made by the Ohio Preservation Compact.
Loan Products

- Provide “below market” interest rate to borrowers
  - A blended rate of bank money and grant/PRI funding (3.75%)
  - Interest will accrue and be paid semiannually due on Dec 15th and June 15th with the principal payment due at payoff

- Two loan products:
  - Predevelopment Loans – up to $150,000
  - Acquisition / Bridge Loans – up to $5,000,000
  - Limit of $5,000,000 per borrower/guarantor
  - Lending guidelines similar to the OAHLF

- Loan Term
  - Up to 36 months
Lending Guidelines

- All Tax Credit Predevelopment and Acquisition Loan projects must have a valid reservation of tax credits
- 100% of units must be affordable to 60% of AMI
- Projects must multifamily properties located in Ohio
- Borrowers may be nonprofit, public housing authority or for-profit entities
- The maximum lending limit per loan is $5,000,000
- The maximum lending limit per borrower is $5,000,000.
- There are no prepayment penalties with any loan
- Developer Fees and Operating Costs are not eligible for funding
- Borrower is responsible for title, recording, legal and other fees
Predevelopment Loan

Maximum Loan Amount: $150,000+fees

- Uses: architectural drawings, zoning, permitting, legal fees, phase I environmental report, engineering, real estate taxes, soils report, carryover costs, etc.

- Collateral: full recourse guarantee and/or first mortgage if available
Acquisition Loan

Maximum Acquisition Loan - $5,000,000+fees

- Uses: To assist in acquiring land and/or buildings
- Limited to 100% loan to value (as is)
- Collateral: full recourse guarantee and first mortgage
Y15 Bridge Loan

Maximum Acquisition Loan - $5,000,000+fees

- Uses: To payoff an existing mortgage on a LIHTC transactions
- Limited to 75% loan to value (as is)
- Collateral: full recourse guarantee and first mortgage
Collateral & Fees

Collateral
- Guarantee from individual, parent of borrower, developer or another entity with net worth
- First Mortgage will be recorded

Fees
- Origination Fee – greater of $1,000 or 1%
- Servicing Fee – greater of $1,000 or 1%
- 3rd Party Fees – legal, appraisal, recording, etc.
- Fees are paid at closing
Frequently Asked Questions

- Can I borrow the loan fees? Yes, only origination and servicing.
- Can I receive both a predevelopment loan and an acquisition loan for the same project? – Yes.
- Who is the borrower? – The LLC or LP owning the property.
- Does the Partnership (borrower) have to be formed? - Yes.
- Can funds be wired to the General Partner or Developer’s bank account? – No, the funds need to be transferred to the borrower’s checking account.
- Can I provide a mortgage instead of a guarantee? – No.
- Can I payoff the loan in installments? – No.
- Will you accept a check or do you prefer a wire? – A wire is preferred.
- Can the loan be extended? – Yes, please provide notice to the fund for an extension – there are no extension fees.
Additional Information

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