

AHP Rental / Shelter Disbursements – Attachments/Financials

2017



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Agenda

- Cost Certification
- Financial Attachments
 - A: Sources & Uses of Funds
 - C: Cash Flow Analysis/Operating Budget
- Feasibility Guidelines



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Cost Certification

- Cost Certification is a listing of all of the project's final development costs and permanent funding sources.
- Certification must contain:
 - The independent auditor/accountant's signature(s); and,
 - The date for which the report was prepared.
 - Costs must be explicitly named; a detailed breakout of any item labeled "miscellaneous," "other," etc. is required.
 - Member and Sponsor contributions must be clearly identified.
- Required if there are 50 + invoices or receipts.

Cost Certification

- Third-party verification documents required if accrued costs are included.
- Submit a letter from any source covering development costs that are ineligible for AHP reimbursement.
- Project costs and funding sources must balance.
- May contain an operating budget, but not required.

Attachment A: Sources and Uses of Funds

- Identifies all development costs (acquisition, hard and soft costs) and funding sources.
- Submit only if the project’s costs can be documented with less than 50 invoices and receipts (including construction contracts and change orders).
 - ❑ Invoices, receipts, construction contracts, and all change orders must support ALL figures on Attachment A.
 - ❑ Invoices and receipts must be from a third-party biller.



Detailed Cost Breakdown

- Submit a detailed cost breakdown to match Attachment A’s cost categories to invoices and receipts if the link between these and Attachment A isn’t obvious.
- Example:

<u>Attachment A Cost Category</u>	<u>Total Amount Billed</u>
Furnishing and Appliances.....	\$50,000
Whirlpool, 7/20/12.....	\$20,000
Big Bob’s, 7/12/12.....	\$10,000
TruValue, 7/6/12.....	\$20,000
 Title & Recording.....	 \$3,000
Landmark Title Agency, 6/30/12.....	\$2,000
County Recorder’s Office, 7/1/12.....	\$1,000



Attachment A

Project Name:	Number of Units								
Purpose Code:	Total Development Costs	Residential Costs	Non-Residential Costs	AHP Requested	Other Source				
<i>Project Purpose: (Acq = 1, Const = 2, Rehab = 3, Adaptive Rehab = 4, Historic Rehab = 5)</i>									
Acquisition Costs									
Land Acquisition	10,000	10,000		10,000					10,000
Building Acquisition	0								0
Demolition	0								0
Other 1	0								0
Other 2	0								0
Total Acquisition Costs	10,000	10,000	0	10,000	0	0	0	0	10,000
Development Costs									
Development Hard Costs									
Construction Costs									
On-Site Improvements	0								0
Off-Site Improvements	0								0
Construction/Rehab Hard Costs	240,000	240,000		240,000					240,000
Furnishings/Appliances	0								0
Payment & Performance Bond	20,000	20,000							20,000
Builder's Risk	0								0
Builder's Liability Insurance	0								0
Other 1	0								0
Other 2	0								0
Contingencies									
Hard Cost Contingency	0								0
Total Hard Costs	260,000	260,000	0	240,000	0	0	0	0	240,000
Total Acq Costs & Dev Hard Costs:	270,000	270,000	0	250,000	0	0	0	0	240,000
Development Soft Costs									
Contractor Fees									
Gen'l Requirements	0								0
Construction Management/Overhead	0								0
Contractor Profit	0								0
Construction Interim									
Construction Insurance	0								0
Construction Loan Interest	0								0
Construction Loan Fee	0								0
Title & Recording	0								0
Financing Fees									

Allocate all cost to a source

ALERT



Attachment C: Project Cash Flow – 15 Year Pro forma

- Identifies income (rents and operating subsidies).
- Identifies expenses (management fee, administrative costs, insurance, hard debt service, etc.).
- Identifies rate of increase for income & expenses.
- Identifies social service fees and grants (if applicable).
- Identifies commercial rents and expenses (if applicable).
- All rental projects complete this attachment, including Shelters.



Attachment C:

Project Cash Flow – 15 Year Pro forma

- Ensure that the Vacancy row shows between 5% and 10% of the sum of Gross Residential Rents plus Operating Subsidy, except in the case of shelter project, which may show 0%.
- Enter the principal and interest payments as shown on the note for any sources of permanent hard debt.
- Remember that the Replacement/Operating Reserve as entered on Attachment C cannot exceed the amount of this reserve entered in the approved AHP application.
- Net Cash Flow must remain positive through Year 15 or Year 12 if an adequate explanation and adequate reserves are provided.



Attachment C:

Project Cash Flow – 15 Year Pro forma

- Submit the most current version of the 15-year operating budget for the project if it wasn't included in the project's cost certification.
- Fill in the budgeted figures in the Year 1 column and the income and expense inflators.
 - Inflate income by no more than 3% per year.
 - Inflate expenses by at least 1% more per year than the percent increase for income.
- Operating/rental subsidy should match gross annual amount shown on subsidy Agreements.
- **Ask for Attachment C if you need a copy.**



Attachment C

Project Name:		0	Year 1	Year 2	Year 3	Year 4
Income Assumptions	Rate of Increase	103.00%				
Gross Residential Rents			0	0	0	0
Laundry, Parking			0	0	0	0
Less: Vacancy	X of Gross Rents	#DIV/0!	0	0	0	0
Operating Subsidy			0	0	0	0
Other:			0	0	0	0
Other:			0	0	0	0
Net Income			0	0	0	0
Expense Assumptions	Rate of Increase	104.00%				
Management Fee	X of Net Rents	#DIV/0!	0	0	0	0
Legal & Audit			0	0	0	0
Advertising			0	0	0	0
Administrative			0	0	0	0
Utilities-Common Area			0	0	0	0
Utilities-Apartments			0	0	0	0
Water & Sewer			0	0	0	0
Supplies			0	0	0	0
Real Estate Taxes			0	0	0	0
Insurance			0	0	0	0
Pest Control			0	0	0	0
Maintenance/Repair			0	0	0	0
Asset Management Fee			0	0	0	0
Other:			0	0	0	0
Other:			0	0	0	0
Total Expenses	Operating Cost/Net	#DIV/0!	0	0	0	0
Net Operating Income			0	0	0	0

Attachments - Common Errors

- Non-residential costs are not shown on Attachment A.
- Operating subsidy documentation was submitted but amount is not shown on Attachment C.
- Social service fees and grants are not shown on Attachment C and/or a budget is not provided.
- Existing debt is not shown on Attachment C.
- Project does not cash flow for 15 years.

Rental Feasibility Analysis Report

**Affordable Housing Program
Rental Feasibility Analysis**

Application ID
Project Name
Project Location
Sponsor
Member
Submission ID

Criterion	Feasibility Ranges/Limits	Project Value	Alert
Total Project Costs per Unit	<= \$135,000	\$172,669.73	
Soft Costs as a percentage of Total Project Costs	<= 25%	13.43%	
Developer Fee as a percent of Total Development Cost	<= 15%	5.734%	
Developer Fee as a percent of Total Development Cost (if Sponsor is General Contractor)	<= 15%		
Total Contractor Costs	<= 14%	12.560%	
Capitalized Operating Reserves: Special Needs (Non-Elderly) OR Historic/Disaster Rehab	<= 15 months of operating expenses, debt service, & replacement reserve pmts. \$38,526-35 Max	\$17,549.90	
Capitalized Operating Reserves: All other projects	<= 12 months of operating expenses, debt service, & replacement reserve pmts. \$30,821.00 Max		
Operating cost per Unit	<= \$5,000	\$4,803.50	
Vacancy Ratio	5% - 10%	3.06%	
Annual Replacement / Operating Reserves (per Unit per year)	<= \$400	\$337.33	
Management Fee	<= 10%	9.99%	
Debt Coverage Ratio	1.12 - 1.33	0.90	
Expense to Income Ratio (Only for New Debt Projects)	>= 80%	85.07%	
Net Cash Flow	10% - 30%	100.00%	(Alert) This guideline is only applicable to projects with debt. If your project does not have debt, please disregard. However, if your project has debt, please provide an explanation in Required Document Exhibit 1d.
State Debt Exclusion of Tax credits	<= \$ 80	\$0.60	
AHP Subsidy per Unit	<= \$50,000	\$50,000.00	
Total AHP Subsidy Requested	Lower of <= 75% TPC or \$1,000,000	32.74%	



Project Feasibility

- Sponsors are responsible for ensuring financial information is correct and consistent with other disbursement documentation submitted.
- Sponsors will not be allowed to change financial information, if the FHLB identifies discrepancies, or determines that financial values are outside the approved guidelines.



Project Feasibility

- Feasibility analysis is completed using the guidelines in place at time of project approval.
- Projects must continue to meet all feasibility guidelines at disbursement.
 - Exceptions to feasibility guidelines approved by the FHLB Board of Directors at application approval are carried forward to disbursement.
 - Sponsors must provide explanations for any values outside the approved guidelines.
 - Any costs determined not reasonable will be disallowed and will not be reimbursed with AHP funds.



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Project Feasibility

- Total Project Cost per Unit
 - If your TPC per unit exceeds the limits, provide an adequate explanation.
 - Total Project Costs cannot exceed \$185,000 per traditional unit or \$50,000 per bed in shelter/ special purpose housing/group homes.

$$\frac{\text{Total Project Costs}}{\text{Total Number of Units or Bed}}$$



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Project Feasibility

- Developer Fee Percentage
 - ❑ Should not be more than 15%
 - ❑ Can go up to 20% if any amount over 15% is returned to the project as deferred developer fee or owner equity.
 - ❑ FHLB will exclude acquisition costs from the denominator if no cash is paid to a third-party.
 - ❑ No exceptions to this limit will be granted

$$\frac{\text{Developer Fee} + \text{Consultant Fee}}{\text{Total Project Costs} - \text{Developer Fee} - \text{Consultant Fee}}$$

Project Feasibility

- Subsidy Per Unit
 - ❑ Cannot exceed \$50,000 per unit, with the exception of “shelters” and projects providing beds, which may only request up to \$15,000 per bed.
 - ❑ Amount should be the same as at application unless the number of units has changed, AHP subsidy amount has been modified, or subsidy gap is different from approved application.

$$\frac{\text{Total Number of Units}}{\text{Total AHP Subsidy}}$$

Project Feasibility

■ Total Contractor Costs

$$\frac{(\text{General Requirements} + \text{Construction Mgmt/Overhead} + \text{Contractor's Profit})}{\text{Total Hard Costs} - (\text{General Requirements} + \text{Construction Mgmt/Overhead} + \text{Contractor's Profit})}$$

- Maximum 14%
- Does NOT include acquisition costs as a hard cost

Project Feasibility

■ Capitalized Costs

$$\frac{(\text{Capitalized Operating Reserves} + \text{Lease-up Reserves} + \text{Asset Management Fees} + \text{Other Capitalized Operating Costs})}{(\text{Operating Expenses} + \text{Debt Service})}$$

From Cost Certification or Attachment A

From Operating Budget or Attachment C

- Historic rehab projects or projects receiving the maximum points for special needs (*not elderly projects*) allowed **15 months**.
- Other projects allowed **12 months**.
- AHP funds cannot pay for ANY capitalized costs

Feasibility of Project Operations

- Operating Cost per Unit

$$\frac{\text{Total Operating Expenses}^*}{\text{Total Number of Units or Beds}}$$

- Maximum of \$5,000 for units or \$4,000 for beds

- Annual Replacement Reserves

$$\frac{\text{Annual Replacement Reserves}}{\text{Total Number of Units or Beds}}$$

- Must be between \$1 and \$400 for traditional units or \$1 and \$200 for shelters/special purpose housing/group homes providing beds



* FHLB does not include annual replacement reserves

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Project Feasibility - Operations

- Vacancy Ratio

$$\frac{\text{Annual Vacancy Loss}}{(\text{Gross Residential Rents} + \text{Subsidies})}$$

- Must be between 5% and 10% for traditional units
- Shelters/special purpose housing/group homes can have zero vacancy

- Management Fee Percentage

$$\frac{\text{Management Fee}}{\text{Net Income}^*}$$

- Maximum of 10%

* Equals all sources of income minus vacancy loss



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Feasibility of Project Operations

- Net Cash Flow

$$\text{Net Operating Income}^* - \text{Annual Replacement Reserves} - \text{Total Annual Hard Debt Service}$$

- Must be positive for 15 years or through year 12 and have reserves to cover shortfall

- Adjusted Net Cash Flow

$$\frac{\text{Net Cash Flow}}{(\text{Net Operating Income}^* - \text{Annual Replacement Reserves})}$$

- Must be between 10% and 30% ONLY IF the project has permanent hard debt



* Equals net income less total operating expenses

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Feasibility of Project Operations

- Debt Coverage Ratio

$$\frac{\text{Net Operating Income}^* - \text{Annual Replacement Reserves}}{\text{Total Annual Hard Debt Service}}$$

- Must be between 1.15 and 1.35 in the first stabilized year ONLY IF the project has permanent hard debt

- Expense to Income Ratio

$$\frac{(\text{Total Operating Expenses} + \text{Annual Replacement Reserves})}{\text{Net Income}}$$

- Must be at least 80% in the first stabilized year ONLY IF the project has NO permanent hard debt



* Equals net income less total operating expenses

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Feasibility – Rental Affordability

- FHLB will calculate rent affordability using the contract rent* for each bedroom size and each income range to determine compliance with affordability requirements.
 - FHLB uses the current-year Multi-family Tax Subsidy Program (MTSP) area median income (as published by HUD) for the county and state in which the project is located in affordability calculation
 - Tenants should not pay more than 30% of the monthly income for a household of the maximum income and size expected.
 - Exceptions to rent affordability requirements may be granted, if tenants receive rental subsidy or the project receives operating subsidies.

*Contract rent = tenant rent amount PLUS subsidy paid on behalf of the tenant



Feasibility – Rental Affordability

FEDERAL HOME LOAN BANK OF CINCINNATI
Affordable Housing Program
Rental Project Worksheet

1. Project Name: _____

2. Name of the MSA or County where the project is located: _____ Hamilton

3. Annual HUD Area Median Income (AMI) for the MSA or County:
(This will be the 100% limit of a 4 person household) _____ \$64,000

4. The AMI, adjusted for family size, is automatically calculated below when information is entered above.

1 Person (70%)	2 People (80%)	3 People (90%)	4 People (100%)	5 People (108%)	6 People (116%)	7 People (124%)	8 People (132%)
\$44,800	\$51,200	\$57,600	\$64,000	\$69,120	\$74,240	\$79,360	\$84,480
\$48,000		\$56,560					\$81,920

5. Please complete the following table:

A Number of Units	B Unit Type (0 of bedrooms)	C Persons per Unit (1.8 persons/bedroom)	D Percent AMI Target	E AMI Adjusted for Family Size (from IV above)	F Proposed Contract Rent*	G Proposed Rent as Percent of Targeted Income	H Column A X Column F
Example: 3	1	3.00	80%	\$36,000	\$300	29%	\$900
4	2	3.00	50%	\$57,600	\$675	28.13%	\$2,700
6	1	1.50	50%	\$48,000	\$585	29.25%	\$3,510
		0.00				#DIV/0!	\$0
		0.00				#DIV/0!	\$0
		0.00				#DIV/0!	\$0
		0.00				#DIV/0!	\$0
		0.00				#DIV/0!	\$0
		0.00				#DIV/0!	\$0
10	Total Project Units						
					6. Total Monthly Rental Income: (Total Column F)		\$6,210
					7. Total Annual Rental Income: (Item #6 X 12)		\$74,520

inbaas - lancarter@fhlbcin.com - Microsoft Outlook



Common Mistakes

- Facts, figures, and documents submitted with the disbursement request contradict information shown on the Attachments
- Attachments A or C have not been updated and are not final figures. Sponsors will not be allowed to resubmit Attachments to correct information.
- Funding sources shown on Attachment A or cost certification were not documented adequately.
- The project's financials show figures outside FHLB feasibility guidelines that were not approved by the Board at time of project approval.



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Reminders

- Be sure to assess the project's financials before submitting documentation to FHLB and provide justification for any project values outside of FHLB's ranges or limits.
- FHLB will not accept revised financial documentation once it has been submitted without back-up documentation.
- Request a formal modification to the project if it changes materially from what was submitted in the approved AHP application.
- You must listen to the Rental Disbursement Required Documents webinar to satisfy the disbursement training requirement.



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Reminders

- Access the AHP Rental Disbursement Manual at www.fhlbcin.com for additional details regarding required disbursement materials.
- No disbursement of AHP funds may be made until the FHLB can determine through the documentation provided that the funds are necessary, the project is financially and economically feasible, and that it complies with the terms of the approved AHP application.
- Allow ample time for your project to be reviewed and funds disbursed before the project expiration date.



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Thank You

