Webinar Summary

- FHLB underwrites housing projects according to the Project Feasibility Guidelines contained in the AHP Implementation Plan.
- See www.fhlbcin.com for the AHP Implementation Plan.
Cost Certification

• Listing of all of the project’s final development costs and permanent funding sources.

• Certification must contain:
  o The independent auditor/accountant’s signature(s); and,
  o The date for which the report was prepared.
  o 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 indicating funding 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.
AHP Development Budget

• Identifies all development 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 budget.
• Invoices and receipts must be from a third-party biller.

Itemized 15-year Operating Budget

• List income and expenses by category for the first stabilized year of operations.
• Projected increases in expenses must be at least 1% greater than projected increases in income.
• The income escalator cannot exceed 3% per year.
• Income from rents must match the project’s rent and unit schedule for the first stabilized year.
• Hard debt service must match Note.
• Exclude all income and expenses from social service or commercial components of the project.
Justifying Feasibility Exceptions

- A project’s values must fall within the range or limit of all FHLB feasibility parameters.
- Justify why FHLB should provide AHP funds to the project with values outside the guidelines.
- Exceptions to feasibility guidelines approved by at AHP award or modification are carried forward to disbursement.
Total Project Cost per Unit

\[
\text{Total Project Cost per Unit} = \frac{\text{Total Project Costs}}{\text{Total Number of Units or Beds}}
\]

- Cannot exceed $200,000 per traditional unit.
- Cannot exceed $55,000 per bed for special purpose housing/group homes/shelters.
- Major costs increases from the approved AHP application require approval by FHLB.

Total Soft Cost Percentage

\[
\text{Total Soft Cost Percentage} = \frac{\text{Total Soft Costs}}{\text{Total Project Costs}}
\]

- Should not be more than 30% for tax credit projects.
- Should not be more than 25% for rental projects not receiving tax credits.
- Explain and justify if project soft costs exceed parameter.
Developer Fee Percentage

\[
\frac{(\text{Developer Fee} + \text{Consultant Fee})}{(\text{Total Project Cost} – \text{Developer Fee} – \text{Consultant Fee})}
\]

- Maximum is 5% for acquisition-only projects.
- Maximum is 15% for new construction/rehabilitation.
- Maximum is 20% if owner equity/deferred developer fee exists to cover the amount above 15%.
- FHLB will remove acquisition costs from the denominator of the calculation if they do not represent costs paid to a third party.

AHP Subsidy per Unit

\[
\frac{\text{Total AHP Subsidy Requested}}{\text{Number of AHP-assisted Units or Beds}}
\]

- Cannot exceed $50,000 for traditional rental projects.
- Cannot exceed $15,000 for group home/special purpose housing/shelter beds.
- If the number of units in the project has changed, submit an AHP Modification Request Form, available at www.fhlbcin.com.
Total Contractor Costs

(General Requirements + Construction Mgmt/Overhead + Contractor’s Profit)

Total Hard Costs – (General Requirements + Construction Mgmt/Overhead + Contractor’s Profit)

- Maximum 14%.
- Does NOT include acquisition costs as a hard cost.
- FHLB does not make exceptions for this feasibility parameter; a violation results in an AHP grant reduction.

Capitalized Costs

(Capitalized Replacement Reserve + Lease-up/Operating Reserves + Capitalized Asset Management Fee + Other Capitalized Costs)

(Taken from development cost list)

(Operating Expenses + Debt Service)

(Taken from operating budget)

- Cannot exceed 12 months of operating expenses plus debt service payments unless involves historic rehab or reserve at least 85% of units for households with special needs, then 15 months of costs as reserves is permissible.
- FHLB does not make exceptions.
### Vacancy Ratio

**Annual Vacancy Loss**

(Gross Residential Rents + Subsidies)

- Must be between 5% and 10% for traditional projects.
- Can be between 0% and 10% for “Shelter,” “Group home,” or “Special purpose housing” projects.

### Operating Cost per Unit

**Total Operating Expenses***

Total Number of Units or Beds

- Maximum for traditional rental units is $5,500.
- Maximum $6,000 for permanent supportive housing.
- Maximum is $4,000 for “Shelter,” “Group home,” or “Special purpose housing” beds.

*excluding annual replacement reserves
Annual Replacement Reserves

- Must be between $1 and $400 per unit per year for traditional rental units.
- Must be between $1 and $200 per bed per year for “Shelter,” “Group home,” or “Special purpose housing” projects.

Net Cash Flow

- Must be positive in all 15 years of operations.
- If Net Cash Flow will be negative in years 12 and later, project must demonstrate that sufficient reserves will be available to cover the shortfall.

*excluding annual replacement reserves
Adjusted Net Cash Flow

\[
\text{Adjusted Net Cash Flow} = \frac{\text{Net Cash Flow}}{(\text{Net Operating Income} \times – \text{Annual Replacement Reserve})}
\]

- Must be between 10% and 30% if the project has permanent hard debt.
- Not applicable to projects that do not have permanent hard debt.
- Justify the amount of debt on the project if this parameter is violated.

*excluding annual replacement reserves

---

Debt Coverage Ratio

\[
\text{Debt Coverage Ratio} = \frac{(\text{Net Operating Income} \times – \text{Annual Replacement Reserve})}{\text{Total Annual Hard Debt Service}}
\]

- Must be less than 1.50 in Year 1 and between 1.0 and 1.1.
- Only applies to projects with permanent hard debt.

*excluding annual replacement reserves
**Expense to Income Ratio**

\[
\frac{(\text{Total Operating Expenses} - \text{Annual Replacement Reserve})}{\text{Net Income}}
\]

- Must be at least 80% in the first year of stabilized operations
- Only applies to projects without permanent hard debt
- If less than 80%, the project can afford to support debt, and FHLB will make adjustments to the AHP grant

*excluding annual replacement reserves

---

**Management Fee Percentage**

\[
\frac{\text{Management Fee}}{\text{Net Income}}
\]

- Cannot exceed 10% of net income.
- Must match the management fee identified in the project’s partnership or operating agreement.
Tax Credit Sale Price per Dollar

For Low-Income Housing Tax Credits:

\[
\text{Total Equity Investment} \quad \frac{\text{(Annual Tax Credit Award}}{10}
\]

• Must be at least $0.80.
• If sale price is below limit, provide evidence of market conditions at the time of the project’s closing.

Rent Affordability

• Determined by the following information:
  o Current-year Multi-family Tax Subsidy Program (MTSP) area median income for project county
  o The unit’s targeted income level,
  o The number of bedrooms in the unit, and
  o Contract rent from the project’s occupancy report.
• Rent affordability does not need to be calculated for units receiving project-based rental subsidy.
• Contract rent = tenant rent amount PLUS subsidy paid on behalf of the tenant.
Rent Affordability (cont.)

(Monthly Contract Rent Amount * 12) / Annual Area Median Income

- Use the move-in year’s MTSP limits from [www.huduser.org](http://www.huduser.org).
- Assume one occupant per single-room occupancy (SRO) or efficiency unit and 1.5 persons per bedroom for all units with one bedroom or more.
- Contract rent must be less than 30% of AMI.
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.

HCI resources

• Access resources on www.fhlbcin.com by clicking through the following links:
  o “Housing Programs” (in the header or middle of the screen), then
  o “Affordable Housing Program” (on the left)
• Once there, you can find additional resources such as the AHP Implementation Plan and the Income Eligibility Guide that will cover some of these topics in more detail than was covered in this webinar.
• Contact the FHLB staff if you have specific questions that are not answered in the materials available on the website.
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www.linkedin.com/company/federal-home-loan-bank-of-Cincinnati

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Let’s celebrate together!
We encourage all FHLB Members and housing sponsors to notify us of plans to celebrate or recognize any FHLB-funded housing or community investment project. FHLB is often available to participate and to offer public relations assistance for community events such as ribbon cuttings, groundbreakings, and dedications.

Please contact Marketing/Public Affairs, toll-free, at (877) 925-FHLB(3452).
Thank You