

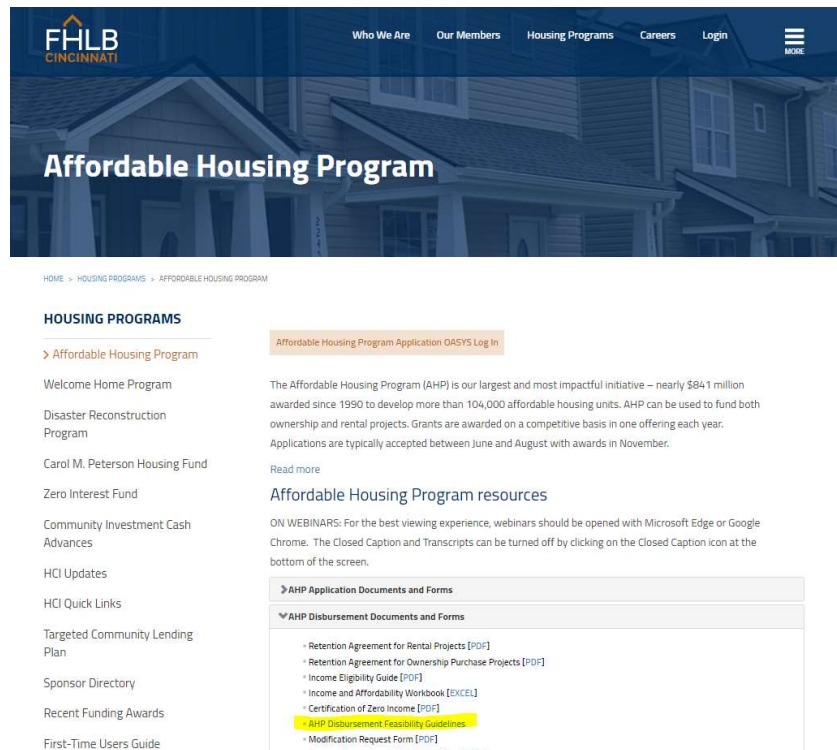
# Feasibility for AHP Rental and Tax Credit Disbursements

Presented by:  
Jamie Board



# Webinar Summary

- FHLB underwrites rental and tax credit project disbursements according to the AHP Disbursement Feasibility Guidelines posted at [www.fhlbcin.com](http://www.fhlbcin.com).



# Feasibility Report


**Affordable Housing Program**  
**Rental Feasibility Analysis**

**Application ID** 27  
**Project Name** 400 Dyer Street Apartments  
**Project Location** Washington County, Johnson City, TN MSA  
**Sponsor** Keystone Development, LLC  
**Member** Bank of Tennessee, Johnson City TN  
**Submission ID** 201301-0059

| Criterion   | Feasibility Ranges/Limits   | Project Value       | Alert   |
|---|---|---------------------|---|
| Total Project Costs per Unit  | <= \$185,000  | \$153,669.33        |   |
| 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 Downtown Rehab  | <= 15 months of operating expenses, debt service, & replacement reserve pmts. \$38,526.25 Max | \$17,540.00         |   |
| 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%  | 5.06%               |   |
| Annual Replacement / Operating Reserves (per Unit per year)                             | <= \$400  | \$333.33            |   |
| Management Fee  | <= 10%  | 9.99%               |   |
| Debt Coverage Ratio   | 1.15 - 1.35   | 0.00                |   |
| Expense to Income Ratio Only for No 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 M. |
| Sale Price Per dollar of Tax credits  | >= \$ .80   | \$0.00              |   |
| AHP Subsidy per Unit  | <= \$50,000   | \$50,000.00         |   |
| Total AHP Subsidy Requested   | Lesser of <= 75% TPC or \$1,000,000   | 32.74%<br>\$300,000 |   |

**Additional Alerts:**  
 N/A

# AHP Disbursement Feasibility Report



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The Affordable Housing Program (AHP) has been awarded since 1950 to develop more than 100,000 affordable housing units. AHP can be used to fund both ownership and rental projects. Grants are awarded on a competitive basis in one offering each year.

Applications are typically accepted between June and August with awards in November.

[Read more](#)

## Affordable Housing Program resources

ON WEBINARS: For the best viewing experience, webinars should be opened with Microsoft Edge or Google Chrome. The Closed Caption and Transcripts can be turned off by clicking on the Closed Caption icon at the bottom of the screen.

AHP Application Documents and Forms

AHP Disbursement Documents and Forms

- Retention Agreement for Rental Projects [PDF]
- Retention Agreement for Ownership Purchase Projects [PDF]
- Income Eligibility Guide [PDF]
- Income and Affordability Workbook [EXCEL]
- Certification of Zero Income [PDF]
- AHP Disbursement Feasibility Guidelines
- Modification Request Form [PDF]
- Sponsor Commitment Verification Form [PDF]
- HUD MTSP Median Income Limits [PDF]
- Habitat Disbursement Request Form [PDF]
- Habitat Disbursement Manual [PDF]
- Habitat Development Budget [EXCEL]
- Ownership Disbursement Request Form [PDF]
- Ownership Disbursement Manual [PDF]
- Ownership Development Budget [EXCEL]
- Owner-occupied Rehab Disbursement Request Form [PDF]
- Owner-occupied Rehab Disbursement Manual [PDF]
- Owner-occupied Rehab Development Budget [EXCEL]
- Pre-approval Request Form [PDF]
- Pre-approval Manual [PDF]
- Pre-Rehabilitation Inspection Form [PDF]
- Post-Rehabilitation Inspection Form [PDF]
- Early Disbursement Request Form [PDF]
- Early Disbursement Manual [PDF]
- Rental Disbursement Request Form [PDF]
- Rental Disbursement Manual [PDF]
- Rental Development Budget [EXCEL]
- Tax Credit Rental Disbursement Request Form [PDF]
- Tax Credit Rental Disbursement Manual [PDF]
- Rental Disbursement Feasibility Report [EXCEL]
- Rental Disbursement Occupancy Report [EXCEL]

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FEASIBILITY REPORT

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Applicant

Example

122

Sponsor

Example

123

Project Name & Number

Example Project - 000000-0000

124

125

Criterion

Ranges - Limits

Project

Alert

126

Project Cost/Unit

Guideline \$250,000 / DU

\$159,184.53

127

(Total Project Cost/Units)

\$70,000 / Bed

128

Construction - Soft Cost

Max. 25% - 30% of total dev. cost

30.27%

ALERT!

129

(soft construction costs/total project cost)

130

Developer Fee

Max. 15% of TPC for Constr/Rehab

13.03%

131

(Dev. Fee &/or Overhead, Consultant, etc./TPC Net of Such Costs)

OR 5% of TPC for Acq.

132

General Requirements & Contractor's OH & Profit

Max. 14%

13.98%

133

(Total Fees/ Hard Construction Costs)

134

Hard Cost Contingency

Max. 10% for Constr

0.00%

135

(Hard Cost Contingency/Construction Costs)

15% for Rehab/Adaptive Reuse

136

Soft Cost Contingency

20% for Historic Rehab

137

(Soft cost contingency/total soft cost net of contingency)

Max. 10%

0.00%

138

Capitalized Reserves Special Needs & Historic Downtown Rehab

Max. 15 months of OE + DS

\$0

139

(15 mos.ds + 15 mos.oper. exp.)

\$0.00

140

Capitalized Reserves All other projects

Max. 12 months of OE + DS

\$474,394

141

(12 mos.ds + 12 mos.oper. exp.)

\$520,101.86

142

Operating Cost/Unit

Max. \$4,100 / Shelter DU

0

143

(Operating Expense/# of units)

Max. \$5,600 / Family DU

\$4,617.79

144

Vacancy Ratio

Max. \$6,100 / PSH DU

145

(Vacancy %/Gross Rents)

5% - 10%

7.00%

146

Replacement Reserves

\$0.00

147

(Replacement Reserves/# of units)

\$0.00

148

Management Fee

Max. 10% of Net Rents

7.10%

149

(management expense/net rents)

150

Debt Coverage Ratio

1.50 maximum in year one and

1.26

151

(see A below)

>=1.00 in year 15

1.14

152

Operating Expense Ratio

>= 80% of net rents

93.91%

153

Net Cash Flow

Must be positive through year 15

\$17,602.14

154

Net Operating Income - Total Annual "Hard debt" Service

155

LIHTC Sale Price/\$ (B)

Minimum \$.80

\$0.93

156

\*(see B below)

\$0.96

157

AHP Subsidy/Unit

Max. \$50,000 Family DU

\$9,375.00

158

Max. AHP Subsidy/Project

Max. \$15,000 Shelter DU

159

Lesser of \$400,000 or 75% of Total Residential Costs

6.05%

160

161

A. Net Income

- Operating Expenses

= Operating Income

(Rep. Res)

= NOI

162

\$553,815.00

\$369,423.00

\$184,392.00

\$22,000

\$162,392.00

163

1st mortgage P&I

+ 2nd mortgage P&I

+ 3rd mortgage P&I

= Debt Service

164

\$128,678.86

\$0.00

\$0.00

\$128,678.86

165

Net Operating Income

/ Debt Service

= Debt Coverage Ratio (1)

= Debt Coverage Ratio (2)

166

\$184,392.00

\$128,678.86

1.43

1.26

167

B. New Construction/Rehab Basis \*\*

x Tax Credit Hage (8.73%)

= Est. Annual Tax Credits

\*10 = Est. LIHTC Award

168

\$0

0.00%

\$472,091.00

\$4,720,910.00

169

Acquisition Basis

x Tax Credit Hage (3.61%)

= Est. Annual Tax Credits

\*10 = Est. LIHTC Award

170

\$0

0.00%

\$0.00

\$0.00

171

Investor Equity-Bridge Loan Interest

/ Est. LIHTC Award

= LIHTC Sales Price/\$ (3)

172

\$4,372,422.00

\$4,720,910.00

\$0.93

173

Investor Equity

/ Est. LIHTC Award

= LIHTC Sales Price/\$ (4)

174

\$4,508,761.00

\$4,720,910.00

\$0.96

175

(3) LIHTC Price without Bridge Loan Interest

176

(4) LIHTC Price with Bridge Loan Interest

177

\*\*Bridge loan interest is often deducted from Investor Equity prior to calculating Est. Annual Tax Credits.

178

179

180

181

# 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.



## Sources and Uses

- The cost certification or AHP Development Budget must categorize all project expenses and may not include costs not yet expended.
- The funding source listing must breakout all of the project's permanent funding sources by amount.
- The total of all development costs and the sum of all permanent funding sources must be equal.
- AHP will only cover the gap between the total eligible project costs and the sum of all funding sources besides AHP.

# Total Project Cost per Unit

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

- Cannot exceed \$250,00 per traditional unit.
- Cannot exceed \$70,000 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

$$\frac{\text{Total Soft Costs}}{\text{Total Project Costs}}$$

- 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.

# Total Contractor Costs

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

- 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.

# 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%.
- Acquisition costs are removed from the Total Project Cost 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](http://www.fhlbcin.com).

# Capitalized Costs

|   |                                  |
|---|----------------------------------|
| (Capitalized Replacement Reserve<br>+ Lease-up/Operating Reserves<br>+ Capitalized Asset Management Fee<br>+ Other Capitalized Costs) | Taken from development cost list |
| (Total 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.

# Operating Cost per Unit

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

- Maximum for traditional rental units is \$5,600.
- Maximum \$6,100 for permanent supportive housing.
- Maximum is \$4,100 for “Shelter,” “Group home,” or “Special purpose housing” beds.

\*does not include annual replacement reserves

# Annual Replacement Reserves

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

- 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.



# Vacancy Ratio

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

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

# 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.

# Debt Coverage Ratio

$$\frac{\text{Net Operating Income}}{\text{Total Annual Hard Debt Service}}$$

- Must be between 1.00 and 1.50 through Year 15
- Only applies to projects with permanent hard debt.
- Exceptions may be made solely at FHLB's discretion and require justification.

# Expense to Income Ratio

$$\frac{\text{Total Operating Expenses}}{\text{Net Income}}$$

- Must be at least 80%.
- Only applies to projects without permanent hard debt
- If less than 80%, the project can afford to support debt, and FHLB may make adjustments to the AHP grant

## Net Cash Flow

Net Operating Income - Total Annual Hard Debt Service

- 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.

# Rent Affordability

$$\frac{(\text{Monthly Contract Rent Amount} * 12)}{\text{Annual Area Median Income}}$$

- 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.

# Tax Credit Sale Price per Dollar

For Low-Income Housing Tax Credits:

$$\frac{\text{Total Equity Investment}}{(\text{Annual Tax Credit Award} * 10)}$$

- 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.



## 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](http://www.fhlbcin.com) by clicking through the following links: “Housing Programs”, then “Affordable Housing Program”
- 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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# 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. The FHLB is often available to participate and to offer public relations assistance for community events such as ribbon cuttings, groundbreakings, and dedications. Please contact FHLB Public Affairs at [publicaffairs@fhlbcin.com](mailto:publicaffairs@fhlbcin.com).



# Thank You

