

Housing & Community Investment

# Disbursement Feasibility Guidelines for AHP Projects



Affordable Housing Program  
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# Project Feasibility Guidelines

The AHP regulation requires an FHLB to adopt guidelines for determining development and operational feasibility. The FHLB has developed its feasibility guidelines after review and analysis of prior AHP application submissions; review of information from the other FHLBs; requirements, priorities, and guidelines of the state housing finance agencies in the district; the Report of the National Council of State Housing Agencies' Working Group on Housing Credit Allocation and Underwriting Recommended Practices; review and recommendations from independent housing finance professionals; and discussions with the FHLB's Affordable Housing Advisory Council.

The determination of feasibility is based primarily on information submitted in the AHP application, especially the AHP Development Budget, AHP Operating Budget, and related supporting documentation. For most of the requirements and guidelines described below, the AHP application performs preliminary calculations, compares the values for each project to the guidelines in the Feasibility Report, and indicates any values outside the guidelines. This information is intended only as a guide to assist the applicant during application preparation. During the final application review, values may be recalculated by the FHLB based on all of the financial information submitted, and the final values are compared to the guidelines. The determination of project feasibility is based on this final review.

The project must meet all feasibility requirements and guidelines outlined here or provide explanations satisfactory to the FHLB for any values outside the guidelines. Projects that deviate from these parameters will undergo additional review and underwriting to determine the reason for, and the reasonableness of, any deviation. Based on this review and underwriting, staff may work with project Sponsors or owners to make adjustments to the financial information submitted at time of application or at disbursement to ensure that the information accurately reflects the nature and financial structure of the project. Any change to the financial parameters of the project between application and disbursement that cause exceptions to these guidelines that were not approved at AHP award will be reviewed on a case-by-case basis and may result in a reduction of the AHP amount or a denial of the request.

The FHLB may also allow reasonable deviations from the guidelines, based on the nature, location, and type of the project and based on explanations provided by the Sponsor to justify such deviations. However, the Sponsor or project Owner is ultimately responsible for ensuring that financial information is correct and consistent and that the project's financial structure meets the FHLB's guidelines, or that any deviations are adequately explained, justified, and documented. The FHLB assumes no obligation to reconcile conflicting information, accept incomplete information, or seek additional information or clarification that is not provided at time of application or disbursement request.

*Project feasibility / viability will be reviewed and assessed at time of application, at time of disbursement, and may be completed at any project modification or periodic assessment. The FHLB will determine the reasonableness of proposed or actual costs based on its experience with similar projects, similar locations, and similar populations being served. The FHLB's determination will be final, and any costs determined not reasonable will be disallowed, not be reimbursed, and the AHP amount may be reduced or the application rejected.*

**In administering the AHP and this Plan, and reviewing and evaluating Sponsors, projects, and applications hereunder, the FHLB reserves the right to determine in its good faith discretion (exercised in a uniform and consistent manner) whether the project or any portion of the application in question meets all of the following: the requirements of this Plan, the intended uses of AHP subsidy, the integrity of the program, and the safe and sound operations of the FHLB and use of its assets.**

# Project Feasibility

- A. The project must be likely to be completed and occupied based on relevant factors contained in these guidelines, including, but not limited to, the development budget, market analysis, and project Sponsor's experience in providing the requested assistance to households.
2. A rental project must be able to operate in a financially sound manner in accordance with these guidelines, as projected in the project's AHP Operating Budget.
3. If any of the feasibility requirements for receiving AHP subsidy are more restrictive than requirements from other funding sources, the AHP requirements must be satisfied.

## I. Determination of Project Viability

- A. The project must identify sources of funds, including AHP subsidy, sufficient to cover all reasonable costs identified, and sources and uses of funds must match. All costs and all funding must be shown on the AHP Development Budget. There can be no costs identified for which there is insufficient funding, and there cannot be funding identified in excess of reasonable costs. If funding is insufficient, the application may be rejected. If excess funds are identified, the AHP amount may be reduced, or the application may be rejected.
2. If the project is providing any rehab of rental or ownership units, the rehab must bring the project into compliance with local codes.
3. Projects proposing rehabilitation of rental units must submit a detailed breakdown of anticipated costs, at time of application, based on estimates by a licensed or certified third-party architect, building inspector, general contractor, or other qualified individual with prior approval by the FHLB. At time of disbursement, verification by one of the aforementioned qualifying parties of actual rehabilitation costs completed for rental and ownership projects must be submitted. Costs associated with the provision of third-party inspections may be included in the project's development budget as an AHP-eligible expense.
4. The project must demonstrate that the AHP subsidy will be used to benefit income-eligible and otherwise qualified recipients and that the benefit is always under the control of the Sponsor/Owner. AHP requirements and responsibilities belong solely to the Sponsor/Owner and cannot be transferred to another party. The Sponsor/Owner cannot lease the property to another party (a practice known as master leasing) and/or transfer the responsibility for ensuring that all AHP requirements are satisfied. Under such a circumstance, the original Sponsor/Owner would be subject to Recapture of all or a portion of the AHP subsidy.

## II. Reasonableness of Project Costs

### A. Acquisition Costs

1. “Acquisition costs” must be shown on the AHP Development Budget in the amount paid to a third party if the property will be or was acquired within the last five years. FHLB will make an exception to allow the market value of a property to appear as its “Acquisition costs” if other funders’ guidelines justify the use of market value as “Acquisition costs” (to increase eligible basis, for example) for conveyances between “Related parties” subject to the requirements below.
2. “Acquisition costs” must be documented. Such documentation may include a HUD-1 Settlement Statement, Closing Disclosure, a purchase option, purchase contract, or deed

with the purchase price indicated in the name of the Sponsor/Owner, developer, or other entity involved in the project identified in the application.

- a) Appropriate documentation of market value must be provided at time of disbursement for ownership projects and at time of AHP application for rental projects.
- b) Market value may be documented either by the assessment for property tax purposes or an independent appraisal of the property performed by a state certified or licensed appraiser. An independent appraisal is required for all “Related party” transactions.
- c) “As-is” market value must be documented within a reasonable time from the date upon which the purchase price was agreed or conveyance was completed, generally within six months.
- d) If no information is submitted to support the acquisition costs, the disbursement may be denied, or the subsidy requested may be reduced or the AHP application rejected.

2. “Acquisition costs” must be reasonable. This means that the purchase price does not exceed the “as-is” market value of the property at the time of conveyance and that any related costs are reasonable.
  - a) If the purchase price is not greater than the value shown as the assessment for property tax purposes, the costs shall be deemed reasonable.
  - b) If the purchase price is greater than the value shown as the assessment for property tax purposes, an independent appraisal of the property performed by a state certified or licensed appraiser dated within a reasonable period of when the price was agreed upon or the property was conveyed, generally within six months of conveyance, must be submitted. If the purchase price is not greater than the value shown in the independent appraisal, the costs shall be deemed reasonable.
3. If the project involves a refinance or conveyance between “Related parties” and costs are equal only to the outstanding hard debt on the property plus reasonable transaction costs and the debt is being paid-off through the development of the project, the costs shall be deemed reasonable. If the project involves a conveyance between “Related parties” and there is no outstanding hard debt, or the debt is not being paid off or is only soft debt, FHLB will treat the acquisition costs using the process noted in item b) below.
  - a) If the market value of the property is reflected on the AHP Development Budget, as allowed under other funders’ guidelines, and the acquisition costs are not greater than the “as-is” value in the independent appraisal, the costs shall be deemed reasonable.
  - b) In refinances or such “Related party” conveyances where loan payoff or market value, respectively, is reflected on the AHP Development Budget, the developer fee will be limited to the maximum percentage of “Total project costs” less “Acquisition costs” net of “Developer fee.” Other feasibility parameters and scoring criteria affected by a refinance or “Related party” transaction where acquisition costs are not recognized will also be reassessed.
4. If acquisition costs appear on the AHP Development Budget and the acquisition represents a transfer in which the current owner (or part of the current owner) will retain part (or all) of the “Ownership interest” in the property, an amount equal to the full amount of the acquisition costs must appear as a funding source to the project in the form of a contribution from the Sponsor.

5. If the property is sold to a project by a Member providing AHP subsidy to the project, or property sold to the project upon which the Member holds a mortgage or lien, the market value of such property is deemed to be the “as-is” or “as-rehabilitated” value of the property, whichever is appropriate as reflected in an independent appraisal. If the acquisition costs are not greater than the value shown in the independent appraisal, the costs shall be deemed reasonable.
6. The FHLB recognizes that a market value appraisal may not accurately reflect the full value of the property for projects that have subsidized rents or other subsidized financing. In addition to the assessed value for tax purposes and the appraised value, the FHLB may also consider the value of subsidy associated with a property and include that analysis in its determination of the reasonableness of acquisition costs for such properties.

## Hard Costs per Square Foot/Total Project Costs

1. Total hard costs as shown on the AHP Development Budget divided by total square feet of the project are expected not to exceed the amount per square foot for the relevant ZIP code and unit type shown in the residential construction cost index that FHLB publishes.
2. For “Shelter” projects, “Group homes,” and “Special purpose housing” that provide “Beds” instead of “Units,” total project costs shown on the AHP Development Budget are expected not to exceed \$90,000 per “Bed.”
3. Analysis of project costs will consider the geographic location of the project, development conditions, and other non-financial household or project characteristics.
4. For projects that exceed the Total Project Costs or Hard Costs per Square Foot guidelines, a Sponsor must provide an explanation and third-party documentation supporting the anticipated costs. Documentation may include estimates generated via cost calculators such as RSMeans or Marshall & Swift, capital costs needs assessment, guaranteed maximum price contract, at least two third-party contractor bids, etc. Third-party documentation must be from a party who is not engaged as a development team member and should detail the specific line item costs impacting the total development budget and provide a justification for extraordinary costs. Generalized statements regarding increasing material and labor costs are not adequate justifications for higher costs. The FHLB, in its sole discretion, will evaluate the documentation and explanation presented and may disqualify or reduce the amount of subsidy requested as deemed applicable and appropriate. The FHLB acknowledges that the total cost of a development may sometimes be higher than good public policy and prudent resource allocation should allow, even if individual cost components may be justified and considered reasonable in other contexts. It may determine that some markets, property characteristics, and circumstances individually or together may be cost-prohibitive for Affordable Housing Program development, and that developments with costs in excess of Plan limits may not receive an award.
5. AHP funds cannot be used to pay for “Commercial space.”
6. The value of donated materials or professional labor/services provided by a “Related party” should not be included on the AHP Development Budget, even if that value is entered as a cost with an offsetting source of funds. Volunteer labor or sweat equity should never be included on the AHP Development Budget under any circumstances. All other donated land, materials, or professional labor/services must show an offsetting source of funds associated with the value of each donation entered as a cost on the AHP Development Budget.

7. Assumed loans that appear as a cost on the AHP Development Budget must show an offsetting source of funds on the AHP Development Budget equal to the cost.

## Loan Costs

1. Total costs for points and loan fees, including origination fees and any other fees paid to the lender per FHLB's definition of "Loan fees," for any individual loan made to an AHP project are expected not to exceed three percent of the principal amount of the loan.
2. Projected loan rates should not exceed the maximum established for each loan type shown in the table below based on the interest rate as of close of business the day before the AHP application opens to new applications, plus the adjuster applicable to that type of loan as shown in the table. At the time of loan closing, loan rates should not exceed the rate published by FHLB for that date and loan type plus the applicable adjuster. FHLB Members can access FHLB-published rates from their dashboards in the Members Only system.

| Loan Type                     | FHLB Advance Product<br>Base Rate   | Adjuster       |
|-------------------------------|---|----------------|
| Permanent multi-family loans  | Balloon Advance ("BPA"), 15-year term, 30-year amortization                         | 300 bps        |
| Construction loans            | One Year Variable Advance   | 400 bps        |
| Bridge loans                  | Long Term Regular Fixed Rate Advance ("Fixed Rate Advance")                         | 400 bps        |
| Permanent single-family loans | Maximum is "Assumed market rate" defined above; FHLB Advance Product does not apply | Not applicable |

## Other Specified Line Costs:

1. Developer Fee
  - a) For projects that do not involve the conveyance of property to "Related parties," the calculation of the developer fee percentage will be based on development costs defined as "Total project costs" net of developer fee, consultant fees, application preparation fees and similar costs, collectively defined as "Developer fee."
    - (1) Maximum of fifteen percent (15%) for rental and ownership projects involving new construction or acquisition plus rehabilitation;
    - (2) Maximum of fifteen percent (15%) for rental projects involving only rehabilitation;
    - (3) Maximum of fifteen percent (15%) for ownership projects involving rehabilitation of occupied units;
      - (a) If the Sponsor's employees are performing owner-occupied rehab, and if the employee labor rates include administrative or overhead expenses, no amount will be allowed for developer fee.
      - (b) If the Sponsor's employees are performing owner-occupied rehab, but the employee labor rates do not include administrative or overhead expenses other than the cost of employee benefits, the project is eligible for a developer fee up to the stated limit.

- (c) If the Sponsor's employees are not performing the rehab, that is the rehab is being done by volunteers and/or contractors, the project is eligible for a developer fee up to the stated limit.
- (4) Maximum of five percent (5%) for ownership projects involving only acquisition of properties by new eligible homebuyers.
- (5) Maximum of twenty percent (20%) for rental or ownership projects involving new construction, acquisition, and rehabilitation, rehabilitation of ownership units for resale to eligible homebuyers, or rental rehabilitation only. Sponsor must demonstrate that at least the amount of "Developer fee" over 15 percent is put back into the financing of the project in the form of deferred developer fee or owner equity.

b) For projects that involve the conveyance of property to "Related parties," the calculation of the developer fee percentage will be based on development costs defined as "Total project costs" less "Acquisition costs" net of "Developer fee:"

- (1) Maximum of fifteen percent (15%) for rental and ownership projects involving new construction or rehabilitation;
- (2) Maximum of 20 percent (20%) for acquisition/new construction and acquisition/rehab projects when any amount over 15% is returned to the project; or
- (3) Maximum of five percent (5%) for rental projects involving only acquisition by new owners.

2. Soft Costs

Project soft costs, as shown on the AHP Development Budget, cannot exceed 25 percent of total project costs. For rental projects receiving tax credits, project soft costs cannot exceed 30 percent of total project costs.

3. Contingency

- a) Project hard costs contingency cannot exceed 10 percent for new construction, 15 percent for rehabilitation or adaptive reuse, and 20 percent for historic rehabilitation of total hard costs less hard costs contingency.
- b) Project soft costs contingency cannot exceed ten percent of total soft costs less soft costs contingency.
- c) Acquisition-only projects are not allowed to include hard-cost or soft-cost contingencies on their development budget.

4. Capitalized costs

"Capitalized costs" (including lease-up reserves, operating reserves, replacement reserves, asset management fees, and any other costs generally considered operating expenses but shown on the AHP Development Budget) may not exceed the following limits, except under the limited circumstances described below:

- a) For all rental projects, an amount equal to 12 months of total operating expenses and total annual hard debt service expense as shown on the AHP Operating Budget.
- b) For historic rehabilitation projects or those serving primarily special needs populations (excluding those aged 60+), an amount equal to 15 months of total

operating expenses and total annual hard debt service expense as shown on the AHP Operating Budget.

- c) For HUD, VA, RD, or for other projects for which a governmental entity requires, funds, and controls the use of replacement reserves, the amount of such reserves may cause the total “Capitalized costs” to exceed the limits identified above.
- d) There must be sufficient funds from other sources to cover “Capitalized costs,” as AHP subsidy cannot be used to pay for “Capitalized costs.”
- e) Occupied rental rehab projects must document existing reserves and include them as a development funding source.

5. Contractor Costs

Total Contractor Costs must be no more than 14% of total hard costs as calculated by adding construction management/overhead, contractor profit, and general requirements divided by the total hard costs net of these items.

## Rehabilitation Costs for Owner-occupied Projects

- 1. Total hard costs per unit must be between \$5,500 and \$63,000 per unit. Projects proposing hard costs greater than \$63,000 per unit at time of AHP application must explain why it would not be better to demolish and replace the unit. Projects proposing hard costs lower than \$5,500 per unit must justify that the rehabilitation is necessary or not used exclusively for cosmetic improvements. Exceptions may be made on a case-by-case basis for projects involving the use of volunteer labor.
- 2. The rehab must be appropriate for the homeowners being assisted. If special needs homeowners with physical disabilities are included in the project, there should be a priority for rehab that improves accessibility.
- 3. If the Sponsor’s employees are performing the rehab activities, labor rates for skilled trades and unskilled labor, and number of hours charged to the project, including administrative or overhead costs, must be reasonable and comparable to amounts charged to a private-pay customer for similar activities in the project area. At disbursement, the FHLB may require documentation of market rates for comparable labor and or the Sponsor’s indirect cost allocation plan.

## III. Affordability

- A. The contract rent (actual rent paid by the tenant plus any operating or rental subsidy, if applicable, not including utility allowance) charged for AHP-assisted rental units must not exceed 30 percent of the gross income for a household of the maximum income and size expected to occupy the unit (assuming occupancy of 1.5 persons per bedroom or 1.0 persons per unit without a separate bedroom). This requirement applies to all units occupied by AHP-eligible households.
- B. Affordability is met if contract rents are established and subsidized with HUD Section 8 assistance or under another assistance program using the same rent structure as the HUD Section 8 program.
- C. For homeownership projects (except for owner-occupied rehab projects), the monthly payment of mortgage principal and interest, plus taxes insurance, homeowners’ association dues, lot rent, leasehold payments, mortgage insurance premiums, and any other

predetermined housing expenses must not exceed 31 percent of the household's gross monthly income as determined at application intake.

D. Projects not meeting the "Affordability" guideline may be denied, or the AHP subsidy may be reduced.

## IV. Operational Feasibility (Rental Projects Only)

### A. Stabilized Operations

1. All operational feasibility calculations will use figures based on the project's "Stabilized operations" where applicable. See definition of "Stabilized operations" in the AHP Definitions section of the Implementation Plan (Attachment E).

#### Operating Cash Flow

1. Project cash flow must be shown for the residential part of the project, separate from any cash flows from commercial operations or from social services.
  - a) The project should forecast positive residential "Net cash flow" over a full 15 years, as demonstrated on the AHP Operating Budget submitted at time of application.
  - b) The residential "Net cash flow" cannot be dependent on excess cash flows from commercial, social services, or other non-rental cash flows in order to meet this requirement.
  - c) Social service and commercial cash flows must also be positive for the entire 15-year period.

#### Operating Income

1. If the project is relying on fundraising or other cash contributions for any significant part of the project's operating revenue, the Sponsor will be required to demonstrate a history of such fundraising, and the Sponsor's Board of Directors will be required to demonstrate a commitment of such funds for the entire 15-year operating period.

#### Inflation Factor

1. In projecting residential operating income and expenses in years two through 15, an application must project reasonable increases for both income and expenses:
  - a) Generally, projected increases in income should not exceed three percent.
  - b) Projected increases in expenses must be at least one percent greater than projected increases in income, except for projects with rental subsidy agreements that require income and expenses to be equal.

#### Tax Credit Projects

1. Projects also receiving tax credits must submit the project pro forma as prepared by or for the tax credit investor/syndicator and as submitted to the tax credit allocating agency. The estimates of project costs and the projections of project income and expenses in the pro forma should match the financial information submitted as part of the AHP application, as well as match the AHP income targeting commitments.

## V. Reasonableness of Operating Costs (Rental Projects Only)

The FHLB will determine the reasonableness of proposed or actual costs based on the project's "Stabilized operations" and FHLB's experience with similar projects, similar locations, and similar populations being served.

### A. Vacancy Rate

1. Projects must show a vacancy rate between five and 10 percent, except for "Shelter" projects which may show zero vacancy.

### Annual Replacement Reserve

1. All rental projects must show an annual "Replacement reserve" on the AHP Operating Budget in an amount of at least \$250 per unit per year. Reserves per unit for "Shelter," "Group home" or "Special purpose housing" projects should exceed \$150 per "Bed" per year.
2. For HUD, VA, RD, or for other projects for which a governmental entity requires, funds, and controls the use of "Replacement reserves," the amount of such reserves may exceed the limits stated above. In such cases, satisfactory documentation from the governmental entity is required for any exception to be considered by the FHLB.
3. AHP subsidy cannot be used to pay for "Replacement reserves" or any other operating cost.

### Operating Costs per Unit

1. Operating cost per unit as shown on the AHP Operating Budget should be at least \$4,100.
2. Operating cost per unit for "Permanent supportive housing" projects should be at least \$4,600.
3. Operating cost per "Bed" for "Shelter," "Group home," or "Special purpose housing" projects should be at least \$2,900.

### Debt Coverage Ratio

1. The "Debt coverage ratio" (DCR) is one of several key financial metrics the FHLB reviews when assessing the feasibility of projects with "Hard debt." The DCR is used to help the FHLB determine whether it is more likely than not that the project will remain viable during its lifecycle. As such, the FHLB generally requires a project's DCR to remain at or above 1.00 through Year 15.

*Note: Exceptions to this requirement may be made solely at the FHLB's discretion, and conformance with this requirement should not be considered a safe harbor. FHLB will generally take into account the requirements of funding sources such as USDA and HUD when assessing this guideline.*

## VII. Summary of Feasibility Guidelines

The following guidelines represent targets and parameters for use in determining feasibility of AHP projects. Projects that deviate from these parameters will undergo additional review and underwriting to determine the reason for, and the reasonableness of, the deviation. Projects that are outside any of the guidelines may be rejected or the AHP subsidy request reduced.

### **Criterion (calculation) Rental Housing Only:**

**Debt Coverage Ratio** (Net Operating Income at “Stabilized operations” / Total Annual “Hard debt” Service)

**Vacancy Ratio** (Vacancy Loss / [Gross Annual Rental Income + Project-based Operating Subsidy + Utility Allowance])

### **Capitalized Costs**

Historic Rehabilitation Projects or Those Serving Primarily Special Needs Populations (not people aged 60+)

All Projects (except special needs and historic rehab projects)

**Annual Replacement Reserve** (Annual Replacement Reserves / Total Number of Units or Beds)

**Net Cash Flow** (Net Operating Income – Total Annual “Hard debt” Service)

**Operating Costs per Unit** (Subtotal “Operating expenses” / Total Number of Units or Beds)

### **Required Range – Limit**

Above 1.00 through year 15 (for projects with permanent debt)

5% - 10% (except for “Shelter” projects, which may have 0% vacancy)

Maximum 15 months of Subtotal “Operating Expenses,” Annual “Replacement Reserves,” and Total Annual “Hard Debt” Service

Maximum 12 months of Subtotal “Operating Expenses,” Annual “Replacement Reserves,” and Total Annual “Hard Debt” Service

Min. \$250 per “Unit” per year (traditional & “Permanent supportive housing” projects)

Min. \$150 per “Bed” per year (“Shelter,” “Group home,” or “Special purpose housing” projects)

Must be positive through year 15

Min. \$4,100 per unit (non-permanent supportive housing projects)

Min. \$4,600 per unit (“Permanent supportive housing” projects)

Min. \$2,900 per “Bed” (“Shelter,” “Group home,” and “Special purpose housing” projects)

## Ownership and Rental Housing

**Hard Costs per Square Foot** (Total Hard Costs / Total Square Feet)

See cell appropriate to ZIP code and building type on residential construction cost index  
(traditional ownership and rental projects)

**Total Project Cost per “Bed”** ([Total Acquisition Costs + Total Hard Costs + Total Soft Costs] / Total Number of Beds)

**Maximum \$90,000 per “Bed”** (“Shelter,” “Group home,” and “Special purpose housing” projects)

**Total Soft Cost Percentage** (Total Soft Costs / Total Project Costs)

**Maximum 25%** (non-tax credit projects)

**Maximum 30%** (tax credit projects)

**Total Hard Costs per Unit for Owner-occupied Rehab Projects**

**Between \$5,500 and \$63,000**

**Hard Cost Contingency Percentage**  
(Hard Cost Contingency / [Total Hard Costs – Hard Cost Contingency])

**Maximum 10%** (new construction)

**Maximum 15%** (rehabilitation or adaptive reuse)

**Maximum 20%** (historic rehabilitation)

**Soft Cost Contingency Percentage** (Soft Cost Contingency / [Total Soft Costs – Soft Cost Contingency])

**Maximum 10%**

**Total Contractor Costs** ([Construction Management/Overhead + Contractor’s Profit + General Requirements] / [Total Hard Costs – Construction Management/Overhead – Contractor’s Profit – General Requirements])

**Maximum 14%**

**Developer Fee Percentage** (Total Developer Fee / [Total Project Costs – Total Developer Fee]; also see below and implications for transactions involving “Related parties” above)

**Maximum of 15%** (acquisition/new construction and acquisition/rehab projects)

**Maximum of 15%** (owner-occupied rehab projects {with other restrictions and limitations})

**Maximum of 5%** (projects involving only acquisition of properties by new owners)

**Maximum of 20%** (acquisition/new construction and acquisition/rehab projects when any amount over 15% is returned to the project)

**Loan Costs (Points and Fees)** (Loan Fee / Loan Principal)

**Maximum 3%**

**Loan Costs (Rates)**

Based on established rates; see “Loan Costs” section above

## VIII. Financial Calculations:

### A. AHP Development Budget

*Total Project Cost* = Total Acquisition Costs + Total Hard Costs + Total Soft Costs  
(including Developer Fee)

*Total Residential Costs* = Residential Space Costs Based on Sq.Ft. Percentage or Residential Space Costs Based on Applicant Data (as applicable) as shown on AHP Development Budget

*Total Development Cost* = (Total Acquisition Costs + Total Hard Costs + Total Soft Costs) – Total Developer Fee (including any Consultant Fees, Application Preparer Fees, and Similar Costs)

*Total Developer Fee* = Developer Fee and Developer Overhead + Consultant Fee + Application Preparer Fees and Similar Costs

*Developer Fee Percentage* = Total Developer Fee / Total Development Cost

*Total Soft Cost Percentage* = Total Soft Costs / Total Project Costs

*Total Contractor Costs* = (Construction Management/Overhead + Contractor's Profit + General Requirements) / (Total Hard Costs – Construction Management/Overhead – Contractor's Profit – General Requirements)

*Total Hard Costs per Unit* = Total Hard Costs / Total Number of Units or Beds

*Hard Cost Contingency Percentage* = Hard Cost Contingency / (Total Hard Costs – Hard Cost Contingency)

*Soft Cost Contingency Percentage* = Soft Cost Contingency / (Total Soft Costs – Soft Cost Contingency)

#### *Capitalized Costs*

*Historic Preservation or Primarily Special Needs Projects (not people aged 60+)*

*Maximum Total Reserves* = (Subtotal Operating Expenses + Annual Replacement Reserves + Total Annual "Hard Debt" Service) / 12 \* 15 ≥ Total "Capitalized Costs"

*All Projects (except special needs and historic rehab projects) Maximum Total Reserves* = (Subtotal Operating Expenses + Annual Replacement Reserves + Total Annual "Hard Debt" Service) / 12 \* 12 ≥ Total "Capitalized Costs"

## Operating Income & Expense

*Net Income* = (Gross Annual Rental Income + Project-based Operating Subsidy + Utility Allowance + Interest Income + Landry, Parking, etc. + Other Income) – Vacancy Loss

*Net Cash Flow* = Net Operating Income – Total Annual "Hard Debt" Service

*Net Operating Income* = Net Income – Subtotal Operating Expenses - Annual Replacement Reserves

*Vacancy Ratio* = Vacancy Loss / (Gross Annual Rental Income + Operating Subsidy + Utility Allowance)

*Debt Coverage Ratio* = Net Operating Income / Total Annual "Hard Debt" Service Expense  
to Income Ratio = Total Operating Expenses / Net Income

*Operating Cost per Unit* = Subtotal Operating Expenses / Total Number of Units or Beds