HOME, Housing Trust Fund & Neighborhood Stabilization Programs

2020 Annual Administrative Plan
Proposed Changes

Comment Period: February 17, 2020 - March 2, 2020
Effective: April 1st, 2020

Idaho Housing and Finance Association
www.idahohousing.com
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Only substantial changes to the current (2019) Annual Administrative Plan are identified. Approved changes will be added to the 2020 Annual Administrative Plan, which goes into effect on 4/1/2020.
2020 APPLICATION SCORING CRITERIA

- **(New) Green Building Design in Minimum Threshold**
  Add new language
  Pg. 1.
  
  Proposed Language
  
  14. _____ Must meet one of four Green Building Design Standards or certifications: Energy Star, LEED, Enterprise Green Communities or IHFA Green Building Standards. When the developer selects the standard there will no changes excepted by IHFA from the original application.

- **(Updated) Project Viability and Combined Debt Service criteria**
  Combine Project Viability and Combined Debt Service Coverage Ratio criteria
  Pg. 2.
  
  Proposed Language
  
  **Project Viability/ Combined Debt Service Coverage Ratio (including HOME/ HTF payment)**
  - Pro forma demonstrates positive net cash flow after all financial obligations are met, based on required rent level(s)
  - Combined Debt Service Coverage ratio of $\geq 1.10$
  
  Total Possible Points 15

- **(Updated) Loan Repayment criteria**
  Update Possible Points for the Loan Repayment criteria
  Pg. 2.
  
  Proposed Language
  
  **Loan Repayment**
  - Regular Scheduled Payment-Owner commits to repaying entire HOME loan using regular amortized payments
  - **30-year Repayment:** Pro forma demonstrates repayment of HOME loan in annual payments within 30 years.
  
  Total Possible Points 20

- **(Remove) Green Building Design Scoring criteria**
  Remove Green Building Design scoring criteria, language moved to Minimum Threshold.
  Pg. 6.
**Green Building Design**

- **Energy Star** – Version 2.0: 2006 Guidelines through 07/01/2011 and Version 3.0: Version 3.0 ENERGY STAR Reference Design with All Checklists (HUD has a new report for Energy Star activities);
- **LEED Certification**
- **Enterprise Green Communities Certification**
- **IHFA Green Building Standards (Project must have a minimum of 10 items to receive points)**

- **(New) Operating Expenses criteria**

Add Operating Expense criteria

Pg. 6.

**Operating Expenses (6 points)**

- Operating Expense Ratio $\geq 50\%$
- If $< 50\%$: documentation of operating expenses (including at least 2 separate projects’ analysis justifying the operating budget and narrative explaining the projects ability to sustain the level of expenses submitted).

**CHAPTER 2 A- RENTAL ACTIVITIES**

- **Maximum Number of Assisted Projects and Maximum Funding**

Add new language

Pg. 4.

**Proposed Language**

**HOME Program**

(HOME) To provide the most equitable access to funds, certain limitations may apply. A project sponsor, owner, or developer cannot have more than three (3) assisted projects under development at any one time, or a combined award of funds at any one time, to any one sponsor or developer that exceeds $3,000,000 (2) regardless of percentage of developer, owner or sponsor; amounts will count in full. In order for an assisted project in development not to be counted in either of these totals, the project must be completed within 60 days after the due date for the HOME application for the additional project or projects.

(2) New Footnote

2. **Combined total of Multi Family and Single Family Awards.**

Pg. 5.

Add new Footnote to HTF Program

2. **Combined total of Multi Family and Single Family Awards.**
• **Eligible Costs**
Add new language
Pg. 7

<table>
<thead>
<tr>
<th>Proposed Language</th>
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</thead>
<tbody>
<tr>
<td>Submitted Draw Requests will be subject to approval by the HOME Department and must follow HOME Program Draw procedures. Contact the HOME Programs Department for a copy of the current procedures.</td>
</tr>
</tbody>
</table>

• **Financial Accountability Standards**
Add updated language
Pg. 9.

<table>
<thead>
<tr>
<th>Proposed Language</th>
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</thead>
<tbody>
<tr>
<td><strong>Applicability-Owner and Developer</strong></td>
</tr>
<tr>
<td>• An entity receiving less than $500,000 in combined federal financial assistance would be permitted to submit an Owner Certified financial statement.</td>
</tr>
<tr>
<td>• An entity receiving more than $500,000 but less than $750,000 in combined federal financial assistance would be required to submit CPA reviewed financial statements.</td>
</tr>
<tr>
<td>• An entity receiving $750,000 or more in combined federal financial assistance would be required to submit a CPA audited financial statements. Requirements located at: <a href="Multifamily_Housing">Multifamily Housing (FASSUB 7.4.0.0)</a></td>
</tr>
</tbody>
</table>

IHFA will use the statements to determine if the owner and developer have adequate financial management systems and practices, and sufficient financial resources to carry out the project to its completion.
**Capital Needs Assessment (CNA)**

Add language

Pg. 18.

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**Proposed Language**

An assessment to determine the amount of funds needed *in the future* to perform necessary replacement and repair of major components and systems. The assessment is based on the average useful life of each component/system throughout the life of the project. The CNA will include the timing of necessary replacement and repair during the period of affordability and through the term of the Note. The CNA will include the following components:

- **Long-Term Physical Needs** - An estimate of the useful life of all major components/systems based on their age and condition. Major Components include structural support, roofing, cladding and weatherproofing, plumbing, electrical, heating and air conditioning, paving, roadways, fencing, irrigation system parking, gas lines, playgrounds, site furniture, and earthwork.

- **Analysis of Replacement Reserves** - An estimate of the necessary initial and monthly deposits to Replacement Reserves to fund future physical needs. The deposit is indexed for inflation at the same rate as the operating expenses for the term of the Note.

IHFA reserves the right to require the owner to provide IHFA a CNA performed by an independent third party if the property has not passed the physical assessment performed by the Compliance Department of IHFA.
• **Developer Fee**

Add updated and new language

Pg. 19-20.

<table>
<thead>
<tr>
<th>Proposed Language</th>
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<tbody>
<tr>
<td>Developer Fee is based on total cost of development as reflected in the initial HOME application.</td>
</tr>
</tbody>
</table>

1) **Joint HOME and/or HTF/Low-Income Housing Tax Credit Projects**

   - HOME and HTF defer to the LIHTC calculation for joint projects up to a maximum of 15%.

2) **HOME, NSP, and/or HTF Projects (no Low-Income Housing Tax Credits)**

   Developer Fee is calculated based on the following:

   - **Minor Rehabilitation** – 10% of total project cost (includes hard and soft costs) when rehab costs are ≤10% of the purchase price. To be determined by physical inspection according to HOME rehabilitation standards and approved budget;
   
   - **Moderate Rehabilitation** – 15% of total project costs when total rehab costs (hard and soft costs) do not exceed 75% of the replacement value of the unit. Units requiring 75% or more in rehab costs will not be eligible for funding, and will be denied.
   
   - **New Construction** -15% of total eligible project costs

**Developer Fee Schedule- Single Family only**

Developer Fee is calculated at budget approval, and adjusted at final disbursement after the property is occupied by a qualified tenant, and all final documentation is received by IHFA. Disbursement schedule is as follows:

   - 25% at acquisition
   - 25% at 50% completion (drywall stage for new construction)
   - 25% at Certificate of Occupancy or completion of rehabilitation work
   - 25% at closeout when all necessary info has been submitted and approved by IHFA

**Draw Request**

Submitted Draw Requests will be subject to approval by the HOME Department and must follow HOME Program Draw procedures.
CHAPTER 2 B- HOMEBUYER ACTIVITIES

- **Minimum Eligibility Requirements**
  
  Add new language

  Pg. 7

  Proposed Language

  • (HOME) Total household income cannot exceed 80% of the Area Median Income (AMI)
  • (NSP) Total household income cannot exceed 120% or 50% AMI depending on activity and IHFA’s approval
  • ITIN Loans allowed if approved by primary lender, and borrower meets all other requirements
  • Borrower(s) must be eighteen (18) years or older
  • Must demonstrate need for assistance

- **Refinancing, Home Equity Loans, Subordination**

  Add new language

  Pg. 9

  Proposed Language

  If a Borrower with an outstanding HOME/NSP loan plans to refinance the first mortgage, the HOME Programs Department must be contacted **prior** to loan approval. Rate/term only refinances are typically allowable as long as the refinance is completed using an IHFA approved lender and loan product. **Home equity lines-of-credit, debt consolidation, or direct disbursements to the homeowner are not permitted.** Home equity loans or cash-out refinancing of the primary mortgage may only be considered if the request falls under one of the specific exceptions listed below, and with prior approval by IHFA’s HOME Programs Department:

  • Lower interest rate or payment
  • Remove PMI
  • Medical hardship and/or death of homebuyer/immediate family member
  • Emergency home repairs for assisted unit
  • Capital improvements for assisted unit

  Documentation is required to substantiate all claims and disbursements. Disbursement(s) must be paid directly to a third party through a Title Company. If approved, borrower must utilize a single disbursement fixed rate home equity loan, or cash out refinance using an IHFA-approved lender and loan product.
• Developer Fee
Pg.10.
Add updated and new language

Proposed Language
Developer Fee is based on total cost of development as reflected in the initial HOME application.

HOME, NSP, and/or HTF Projects (no Low-Income Housing Tax Credits)
Developer Fee is calculated based on the following:

• **Minor Rehabilitation** – 10% of total project cost (includes hard and soft costs) when rehab costs are ≤10% of the purchase price. To be determined by physical inspection according to HOME rehabilitation standards and approved budget;

• **Moderate Rehabilitation** – 15% of total project costs when total rehab costs (hard and soft costs) do not exceed 75% of the replacement value of the unit. Units requiring 75% or more in rehab costs will not be eligible for funding, and will be denied.

• **New Construction** -15% of total eligible project costs

**Developer Fee Schedule- Single Family only**
Developer Fee is calculated at budget approval, and adjusted at final disbursement after the property is sold to a qualified homebuyer and all final documentation is received by IHFA. Disbursement schedule is as follows:

• 25% at acquisition
• 25% at 50% completion (drywall stage for new construction)
• 25% at Certificate of Occupancy or completion of rehabilitation work
• 25% at closeout when all necessary info has been submitted and approved by IHFA

**Draw Request**
Submitted Draw Requests will be subject to approval by the HOME Department and must follow HOME Program Draw procedures.

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**CHAPTER 6- FEDERAL CROSSCUTTING REGULATIONS**

• **Housing Trust Fund Criteria Environmental Review**
Pg.17-19
Add new language
Proposed Language

**Housing Trust Fund Criteria Environmental Review**

Housing Trust Fund has a similar Environment Review process from other program’s processes and those areas that have additional processes are listed below.

**Historic Preservation**

If a proposed project is listed or eligible to be listed on the National Register of Historic Places, individually or as part of an historic district, the proposed work may NOT include demolition and MUST meet the Secretary of Interior’s Standards for Rehabilitation – including the Standards related to new construction. [https://www.nps.gov/tps/standards/four-treatments/treatment-rehabilitation.htm](https://www.nps.gov/tps/standards/four-treatments/treatment-rehabilitation.htm)

**Farmland**

If a proposed project is not in an urbanized area, the project will NOT convert unique, prime or significant (state or local) farmland to an urban use.

**Airport Zones**

The project is NOT located within a Runway Protection Zone (RPZ) of a civilian airport or the clear zone or Accident Potential Zone (APZ) of a military airfield.

**Floodplains**

If the project site includes any portion within floodplains:

1. **100-year floodplain**
   
   **HTF & Other Funding:** The 8-step Process and notifications are required. Any structure located within the 100-year floodplain must be elevated to at least the base flood elevation (“BFE”) or flood proofed to one foot above the BFE. Elevated and flood proofed buildings must adhere to National Flood Insurance Program standards, and the project must not be in a Critical Action.
   
   **HTF Funding Only:** If there are no practicable alternatives to new construction or substantial improvement, the structure can be elevated at least to the BFE or flood proofed to one foot above the BFE and the project will not be a Critical Action.

2. **Floodway**

   The project is a functionally dependent use.

3. **Wetlands**

   The project cannot adversely affect a wetland. The project cannot drain, dredge, channelize, fill, dike, impound, or perform grading activities in wetlands.

4. **Explosives and Hazards**

   The project will comply with the standards for acceptable separation distances, as set forth in 24 CFR part 51, subpart C.
### Toxics

The project is free of hazardous materials, contamination, toxic chemicals and gases, and radioactive substances, where a hazard could affect the health and safety of occupants or conflict with the intended use of the property.

**AND**

The project is not located within 0.25 miles of a Superfund or CERCLIS (“Comprehensive Environmental Response, Compensation, and Liability Information System”) site OR OTHER contaminated site reported to Federal, State, or local authorities without a statement in writing from the U.S. Environmental Protection Agency (“EPA”) or the appropriate State agency that there is no hazard that could affect the health and safety of the occupants or conflict with the intended use of the property.

**Multifamily projects (more than 4 units)** - A Phase I ESA–ASTM is required. If the Phase I ESA identifies RECs, a Phase II ESA–ASTM will be required. If the Phase II indicates the presence of hazardous substances or petroleum products above applicable local, state, tribal or federal (“LSTF”) screening levels, coordination with the relevant LSTF oversight agency will be required to complete the remediation process and obtain a determination that no further action is required. Development of more than four single-family structures in the same location, such as subdivision development, should be evaluated as multifamily.

**Single family projects (1-4 units)** - In addition to the government records search, the screening process for single family does include a site visit. When the screening process raises concerns related to site contamination, it may be appropriate to contract with an environmental professional for preparation of a Phase I, testing and sampling, or other investigation.

### Noise

- If external noise level is between 65 dB and less than 75 dB, mitigation measures will result in an interior standard of 45 dB.

- If external noise level is 75 dB or greater, there will be no noise sensitive outdoor uses (e.g., picnic areas, tot lots, balconies, or patios) and mitigation measures to the building shall achieve the 45 dB interior standard.

### Endangered Species

The project cannot affect endangered or threatened species or their habitat.

### Wild and Scenic Rivers

If the project is located near a Wild and Scenic River, it will be consistent with the River’s Management Plan.

### Sole Source Aquifer

The project cannot affect a Sole Source Aquifer.

### Safe Drinking Water

The project must be constructed with lead-free pipes, solder, and flux. Any home built after 1986 will be exempt from lead pipe testing.
Proposed Language

IHFA may determine the current standing of an owner/agent (defined as developer, owner, sponsor, applicant, or a management company and includes a current member, partner or shareholder who owns a majority percentage) involved in a proposed project. An owner/agent may not be in good standing if their previous project(s) has instances of poor or non-performance which may occur during construction, lease up, the Compliance Period, or the Extended Use Period. Below is a list of some possible performance issues.

- Has been involved in uncured financing defaults, foreclosures, disbarred, proposed for debarment or suspension, declared ineligible, or received a limited denial of participation in the past ten (10) years by any federal or state agency for any development program;
- Has been found to be directly or indirectly responsible for any other project within the past five (5) years in which there is or was instances of excessive, flagrant, or uncorrected noncompliance more than three (3) months from the date of notification by IHFA or any other state allocating agency;
- Within 12 months prior to application deadline, has been in a mortgage default, breach, arrears of 60 calendar days or more or has any outstanding fee(s) within the last five (5) years on any publicly subsidized or assisted projects;
- Removal as a general partner/managing member or any material adverse change relating to the project or responsible owner. IHFA will determine whether the change(s) is material and/or adverse in its sole discretion and further reserves the right to disqualify an application;
- Within 12 months prior to application deadline, failure to comply with IHFA’s requests for information or documentation within 30 calendar days on any development funded or administered by IHFA;
- Extension requests depending on number and severity;
- Excessive late or incomplete reports to IHFA; or
- Is in “Not in Good Standing” with IHFA.

A disqualified individual or entity will not be allowed to participate in the Program for a period of time, which may be as many as five (5) years, and any Application in which they are participating in any way, may be removed from consideration. Applications with any development team member “Not in Good Standing” with IHFA will also be removed from consideration.

The above list of negative actions is not all-inclusive. The application package itself will list other necessary requirements via forms, related instructions, and other items. IHFA will terminate consideration of an application if it determines the application contains misleading information.
Actions to resolve the “Not in Good Standing” determination shall include, but are not limited to, a waiver request with an explanation as to why determination should be set aside. Waiver requests shall be received by IHFA no later than 30 calendar days prior to application deadline. IHFA shall review all requests and either approve or deny at the state agency’s sole discretion.

CHAPTER 8- MULTIFAMILY RENTAL APPLICATION

- Maximum Number of Assisted Projects and Maximum Funding

Add new language

Pg. 8.

Proposed Language

HOME Program

(HOME) To provide the most equitable access to funds, certain limitations may apply. A project sponsor, owner, or developer cannot have more than three (3) assisted projects under development at any one time, or a combined award of funds at any one time, to any one sponsor or developer that exceeds $3,000,000 regardless of percentage of developer, owner or sponsor amounts will count in full. In order for an assisted project in development not to be counted in either of these totals, the project must be completed within 60 days after the due date for the HOME application for the additional project or projects. The limitation of three (3) assisted projects under development at any one time may be waived provided the applicant can demonstrate organizational capacity, financial strength, and experience in successfully managing more than three (3) projects under development simultaneously.

A waiver request must be submitted in writing at least 10 working days prior to the application deadline. In addition, the following criteria will be evaluated when a waiver is requested:

- Will the project serve a Special Housing Needs population as identified in the Consolidated Plan;
- Is the project located in an underserved area or a community defined as rural by USDA-RD [see Chapter 1];
- Is the project defined as "Rental Housing Preservation" (See Chapter 2: Definitions)

HTF Program

Owner or developer cannot have more than three (3) HTF-assisted projects under development at any one time or a combined total of HTF funds at any one time of $2,000,000.

(1) New Footnote

1. Combined total of Multi Family and Single Family Awards.

Pg. 5.

Add new Footnote to HTF Program

1. Combined total of Multi Family and Single Family Awards.
• **(New) Contractor Fees**

Pg. 9.

Add new language

<table>
<thead>
<tr>
<th>Proposed Language</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractor fees shall be limited to 14% of construction costs.*</td>
</tr>
<tr>
<td>*Construction costs include site work, new construction or rehabilitation, and contingency, and exclude contractor profit, overhead, general requirements, and construction management fees.</td>
</tr>
</tbody>
</table>

• **(New) Architect and Engineering Fees**

Pg. 10.

Add new language

<table>
<thead>
<tr>
<th>Proposed Language</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shall be limited to 8% of construction costs.*</td>
</tr>
<tr>
<td>*Construction costs include site work, new construction or rehabilitation, and contingency, and exclude contractor profit, overhead, general requirements, and construction management fees.</td>
</tr>
</tbody>
</table>

• **(New) Construction Contingency**

Pg. 10.

Add new language

<table>
<thead>
<tr>
<th>Proposed Language</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Construction not to exceed 10% of Construction Costs.*</td>
</tr>
<tr>
<td>Rehabilitation contingency costs not to exceed 20% of total Construction Costs. If the contingency is over 20% then IHFA will request a detailed analysis of this exception.</td>
</tr>
<tr>
<td>*Construction costs include site work, new construction or rehabilitation, and contingency, and exclude contractor profit, overhead, general requirements, and construction management fees.</td>
</tr>
</tbody>
</table>

• **(New) Phase 1 Environmental**

Pg. 12.

Add new Footnote

<table>
<thead>
<tr>
<th>Proposed Language</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Phase 1 is not needed at time of application, but must be completed if the project is selected and must meet the Federal guidelines as established by HUD</td>
</tr>
</tbody>
</table>
• Pro forma Threshold Criteria
Pg. 11.
Add new language

Proposed Language
9. Pro forma- All operating costs and revenues must be in sufficient detail to compare line items against properties that are similar in physical type and size, so that the PJ may determine whether the planned expenditures are sufficient and reasonable. The operating budget should include general management expenses, maintenance and operating costs, any project paid utilities, taxes, insurance premiums, and adequate deposits to replacement reserves. In most cases, evaluation of total operating costs should be summarized in “per unit per year” amounts along with the operating expense ratio. A narrative shall be provided as to why the project will be able to sustain the projected operating costs and revenues if the operating expense ratio is <50%. If the proposed project includes leased land and there is an in kind portion of the lease then an estimated value of a market rate lease should be included in the Pro Forma.

• Green Building Threshold Criteria
Pg. 12.
Add new language

Proposed Language
13. Green Building
   Must meet one of four Green Building Design Standards or certifications: Energy Star, LEED, Enterprise Green Communities or IHFA Green Building Standards. Once the standard is selected the proposed project may not change the standard.

   For Energy Star design requirements, applicant must document Energy Star Reference Design in all Checklists. IHFA Green Building Standards, the application must contain evidence the project will meet a minimum of 10 IHFA Green Building Standard items (see Exhibit V).

• Project Viability/Combined Debt Service Coverage Ratio
Pg. 14.
Add new language

Proposed Language
- Project Viability/Combined Debt Service Coverage Ratio
In order to receive points for this category, a pro forma that demonstrates positive net cash flow after all financial obligations are met based on the required rent levels.

Projects often target lower income households to achieve increased scoring may sacrifice the project’s financial feasibility as a result. This category encourages the applicant to consider the implications of targeting lower income households.

The project pro forma demonstrates financial feasibility while satisfying HOME/HTF program requirements at a Combined Debt Service Coverage Ratio of 1.10 or greater for the term of the loan.

• Match
Pg. 17.
Add new language

**Proposed Language**

HOME funding applicants are expected to provide a minimum of 25% proposed eligible match at submission. To receive the points, proposed match must exceed the minimum 25%. Applicant may receive additional points if the proposed eligible match exceeds 35% of the HOME funding. Match documentation must be eligible and clearly identified to receive points. IHFA will determine match eligibility. Non-eligible match is deducted from the total match amount to determine the final match calculation and match ratio for the project. HOME Programs Department may not recommend approval if the application does not identify and clearly document eligible match sources.

Per 24 CFR §92.220, the value of donated professional services shall be determined by the rate that the individual or entity performing the service normally charges.

“(8) The value of donated or voluntary labor or professional services (see § 92.354(b)) in connection with the provision of affordable housing. A single rate established by HUD shall be applicable for determining the value of unskilled labor. The value of skilled labor or professional services shall be determined by the rate that the individual or entity performing the labor or service normally charges.”

IHFA will require documentation of what an individual or an entity performing the labor or service normally charges. The submitted letter must include an hourly charge and average number of hours charged per project. Letters without the additional documentation will not be eligible for Match.

**Operating Expenses**

**Proposed Language**

- For points, the application must demonstrate one of the following: Operating Expense Ratio ≥ 50%
- If < 50%; documentation of operating expenses (including at least 2 separate projects’ analysis justifying the operating budget and narrative explaining the projects ability to sustain the level of expenses submitted).

All operating costs and revenues must be substantiated against properties that are similar in physical type, size, and similar/comparable locations and shall be presented on a per project basis. Documentation should include at least two (2) separate projects along with 3rd party CPA prepared annual financials reflecting operating costs and revenues analysis for the most recent three (3) years. The analysis must justify the new project’s operating budget. Shared costs between projects will be allowed, however documentation of the shared costs shall be provided to show each project is able to perform on its own. The operating budget should include general management expenses, maintenance and operating costs, any project paid utilities, taxes, insurance premiums, and adequate deposits to replacement reserves. In most cases, evaluation of total operating costs should be summarized in “per unit per year” amounts along with the operating expense ratio. A narrative shall be provided as to why the project will be able to sustain the projected operating costs and revenues if the operating expense ratio is < 50%. If the proposed project includes leased land and there is an in kind portion of the lease then an estimated value of a market rate lease should be included in the Pro Forma.

Operating Expense Ratio is calculated by taking Total Operating Expenses (reserve deposits NOT to be included) less interest, depreciation, and amortization divided by Effective Gross Income.