HACSC Underwriting Tool Instructions - Project-Based Voucher Program

<u>New Construction or Rehabilitation</u>: Complete all sections and meet the requirements. HACSC will not accept an application for PBVs that fails to substantially meet the standards listed in these instructions. HACSC may request justification for certain figures.

<u>Existing Housing:</u> Complete only the *Operating Assumptions* and *Operating Standards Test* tabs. Although a Subsidy Layering Review is not applicable to existing housing, the Underwriting Tool is still required to apply for PBVs, and it will be evaluated by HACSC. HACSC may request justification for certain figures.

Please remember that the figures in this Underwriting Tool must match the figures in your general project pro forma. HACSC will not accept an application for PBVs if the figures significantly differ between the Underwriting Tool and the general project pro forma.

1. Development Assumptions

Fill in the yellow cells with your anticipated development costs.

2. Operating Assumptions

A. Fill in the yellow cells of Column C with the various bedroom sizes for each unit type.

B. Fill in the yellow cells of Column D with the number of units per bedroom size

C. Fill in the yellow cells of Column E with the anticipated per-unit monthly tenant payment. Please note that this is **only** the tenant portion of rent and should not include any anticipated PBV subsidy.

D. Fill in the yellow cells of Column F with the anticipated per-unit monthly subsidy from the PBVs. For these PBV units, the sum of the estimated tenant payment and estimated subsidy should not exceed the applicable payment standard. The current payment standards can be found on the HACSC website under the “General” tab.

E. Fill in the cells in Column K. For Property Management Fee, choose either the fixed annual fee or a percentage of net revenue, but not both.

   a. Rent increases must trend between 2% and 3%.

   b. Operating expenses must trend between 1% and 3% for the first five (5) years. After year five (5), they are required to trend at 3%.

   c. Vacancy rates may not exceed 7%.

3. Development Standards Test

No action necessary on this page.

Contractor Fee Test – the combined contractor fees may not be more than 14% of hard construction costs.

a. Builder’s General Requirements may not exceed 6%.

b. Builder’s Overhead may not exceed 2%.

c. Builder’s Profit may not exceed 6%.

Developer Fee Test - the developer fee may not be more than 15% of total development costs.

4. <u>Operating Standards Test</u>

Fill in the yellow cells as appropriate for each year of the requested HAP Contract term.

Debt-Coverage Ratio Test - the debt-coverage ratio must be between 1.10 and 1.45 in any given year. Justifications outside this range are required. ** If you anticipate using CTCAC for your SLR review, the debt-coverage ratio must also be at least 1.15 by Year 3. **

Cash Flow Test – the HUD-defined cash flow of the project may not exceed 10% of operating expenses in any given year.