

## RENTAL HOUSING APPLICATION DEFINITIONS

**Contractor Fee** - The contractor's fee shall be based on a percentage of the construction cost in accordance with the following schedule:

<b>Total Construction Cost</b>	<b>Maximum Fee</b>
Under \$2 Million	10%
Under \$3 Million	9.5%
Under \$4 Million	9.0%
Under \$5 Million	8.5%

**Developer Fee** - Includes the overhead and profit to the developer for the project. Certain costs are part of the developer fee including financial and development consultants, employees of the developer, and related party construction managers/monitors. Professional fees not included in the Developer Fee are fees for the architect, engineer, lawyer, accountant, surveyor, appraiser, soil investigator, professional planner, historical consultant, and environmental consultants, unless such professionals are employed by the developer on a full time basis, or have an ownership interest in the project.

**Related Party** - A person or entity with whom there is an identity of interest including ownership or control between the sponsor or developer and to whom fees or other compensation will be paid from the proceeds of EHIP loan. In addition, parties are considered related when there is a parent-subsidary relationship where owners, officers, directors, partners, stockholders, or members of one business entity hold a 10% or more interest in the other business entity.

**Maximum Fees for Related Parties** - If the developer and the contractor are related parties, the maximum combined developer and contractor fees shall not exceed the lesser of that permitted by the above limitations or 18% of the total development budget, less the developer fee. If any part of the development entity is providing additional services to the project, compensation for these costs will be made part of the developer fee.

**Equity** - Equity is the developer's contribution to the project and must be spent prior to drawing down construction loan funds. EHIP requires at least 10% of the development costs as equity. Acceptable equity sources include cash, value of land owned, or pre-development costs which are not reimbursed from the construction loan.

**Maximum Occupancy** - The household size qualified to occupy the unit is based on the following occupancy assumptions:

<b>Number of Bedrooms</b>	<b>Size of Household</b>
1 bedroom	1-2 Person Household
2 bedrooms	3 Person Household
3 bedrooms	4-5 Person Household
4 bedrooms	6 Person Household

**Minimum Square Footage Requirements** -

<b>Unit Size</b>	<b>Minimum Square Footage</b>
1 Bedroom	650
2 bedroom	800
3 bedroom	1,100
4 Bedroom	1,200

- One bedroom must be at least 150 square feet, and each additional bedroom must be at least 100 square feet;
- Basements, garages, crawl spaces, attics or other unfinished space may not be used to calculate the minimum square footage requirements.

**Owners/Developers/Sponsors** - May either be for-profit or nonprofit organizations that receive funds to undertake affordable housing projects. A CHDOs as **owner** must have the capacity to own and manage the rental housing. As an owner, a CHDO without development capacity can acquire an existing property that meets the HOME property standards and then own and manage the property. A CHDO as **sponsor** can develop the property and once the development is completed conveys the property to a predetermined nonprofit entity that will own and manage the property during the affordability period. A CHDO as **developer** of

rental housing must be the sole charge of all aspects of the development of the property and must own the property during the development and throughout the affordability period

**Project Readiness** - Ideally projects must start within 6 months of funding approval. Extensions may be requested for extenuating circumstances, however, the City may rescind project approval after the extension period has been exhausted and the project has not begun. The rescinded funds will be redistributed to projects in a position to proceed.

**Project Reconfiguration (Physical and/or Budgetary)** - Once a project is approved, a developer will be able to modify the project's scope/size/budget by no more than 20%, provided the project remains financially feasible and the change is acceptable to EHIP. If the change exceeds 20%, EHIP's commitment may be rescinded and the developer will be required to reapply, pending Program & funding availability.

**Scattered Site** - Projects for in-fill housing or homes for rehabilitation that are not contiguous.

**Substantial Rehabilitation** - Any rehabilitation of a housing unit which will both cost more than 50% of the current physical value of the unit and result in the entire structure in which that unit is located being brought into compliance with the State Uniform Construction Code Rehabilitation Sub code.

**Successfully Completed Project** - A project that was fully constructed and occupied in the approved time-line and built within budget.

**Troubled HOME-Assisted Rental Housing Project** - HOME funds may now be used to preserve HOME assisted rental housing projects that are no longer financially viable during the period of affordability and are at-risk of foreclosure. A HOME-assisted rental project is no longer financially viable when its operating costs significantly exceed its operating revenue. HOME-assisted projects can become troubled due to excessive debt, unsustainable high operating costs, poor physical conditions, weak market conditions, etc. The financial workouts to return these projects to financial viability and preserve the affordable units may involve

any number of actions: restructuring the private debt, investing additional owner equity and altering the terms of the existing HOME financing.

The following actions may be taken with HUD Headquarters' approval:

- Invest additional HOME funds to rehabilitate the HOME-assisted units or to recapitalize project reserves for the HOME units. The total HOME funding for the project (initial investment amount plus the additional funds) may not exceed the maximum per unit subsidy 221(d) 3 limits;
- Reduce the number of HOME-assisted units in a project without exceeding the maximum per unit subsidy 221(d) 3 limits.