

# LIHTC Development Fundamentals

Training Workshop – October 19, 2023

1

Overview of Development Process & Low-Income Housing Tax Credit Program

2

Understanding 4% and 9% Credits

3

Basis and Credit Calculation

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Financing a Sample Project

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Qualified Allocation Plan (QAP)

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Evaluating Projects, Subsequent Awards, and Compliance

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# Development Process

## 1. Pre-Pre-Development

- Development team selection: Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney, accountant, service provider, etc.
- Memorandums of Understanding or other agreements drafted

## 2. Pre-Development

- Market analysis and feasibility studies
- Land acquisition or securing option rights to purchase land
- Environmental assessments
- Surveys
- Site plans, development plans, and building plans
- Permitting
- Permanent and Construction Financing LOIs
- Additional funding sources secured

# Development Process

3. Application for tax credits and/or other MFA financing resources
  - MFA takes 4% applications and other MFA financing on a rolling basis, but 9% applications are due in January (and can include applications for other MFA financing at that time)
4. Continued Pre-Development following an award
  - Finalize construction financing and other financing
  - Rezoning process (agricultural land and non-zoned land only)
  - Finalize Construction Drawings
  - Identify contractor (if this has yet to happen) and sign construction contract
  - Permitting
  - Some infrastructure improvements

# Development Process

## 5. Construction

- MFA written approval of construction documents and contracts ahead of construction start
- MFA monitors progress with on-site inspections at the 33% and 66% points, as well as at the close of construction
- 9% Tax credit projects have 2 years to “Place In Service”
- 24-month aggregation period for rehabilitation costs
- MFA requires a meeting with MFA’s Housing Development and Asset Management staff, the developer, the on-site management staff and service providers for the project around the 50% mark of construction

## 6. Operation

- Project must lease units to eligible tenants in order to consider them “Placed In Service”
- A Land Use Restriction Agreement (LURA) must be recorded

# Development Process

Other issues that may arise:

- Appeals from neighbors or other interested parties
- Disputes between the developer and the jurisdiction
- An involved design process that requires multiple site plan iterations

# Low-Income Housing Tax Credits

- Internal Revenue Service program created by Tax Reform Act of 1986 to provide alternative funding for low- and moderate-income households
- Program is administered by the US Treasury Department
- Credits are allocated by a designated Housing Credit Agency through a Qualified Allocation Plan (QAP)
- Credit is a dollar-for-dollar tax reduction for 10 years
- Credit amount is based on the cost of acquiring, constructing or rehabilitating housing developments
- Investors purchase credits to offset federal tax liability
- Equity from the sale of credits reduces debt, resulting in lower rents

# Low-Income Housing Tax Credits

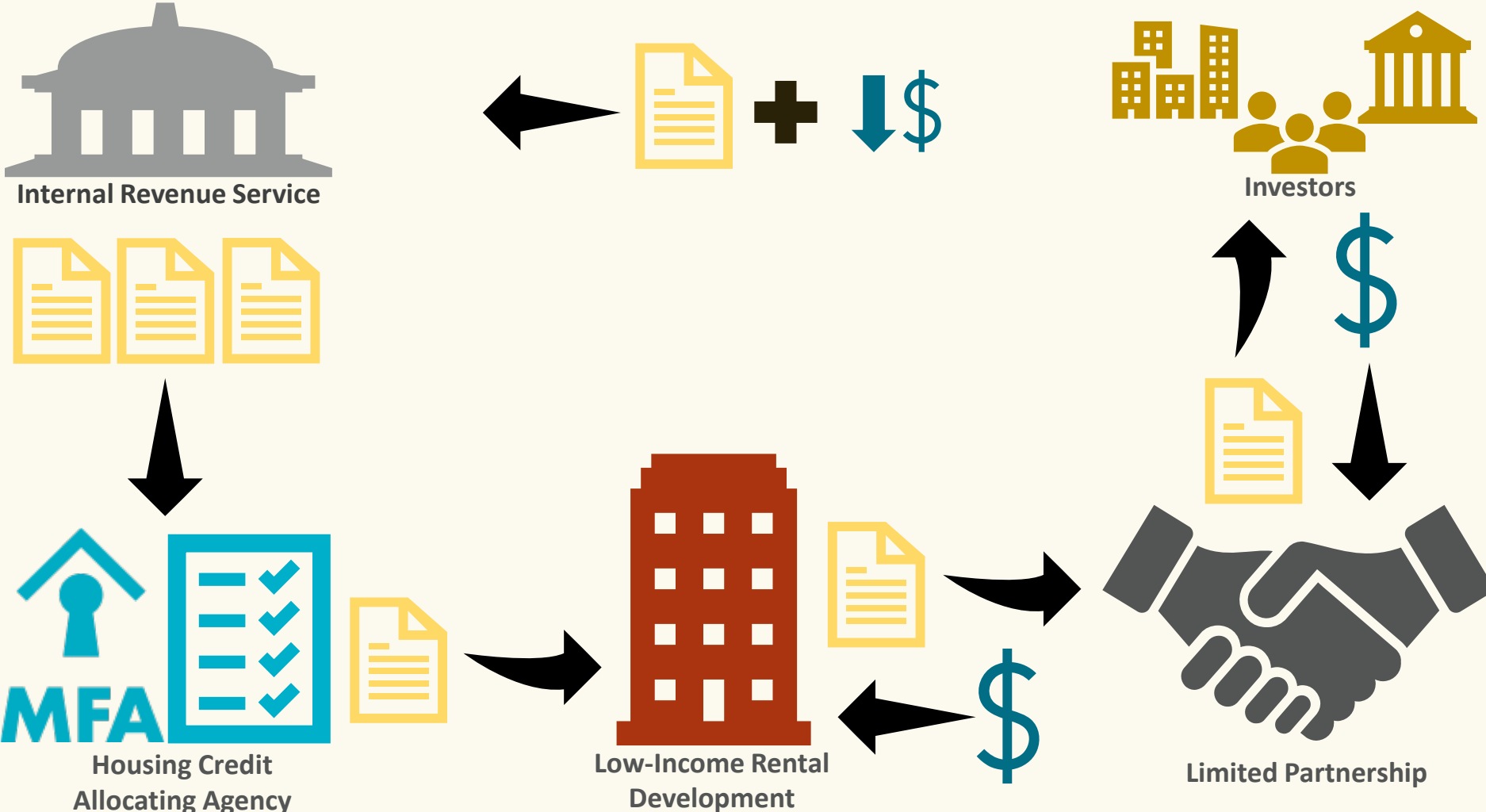
- In New Mexico, LIHTC Program is administered by New Mexico Mortgage Finance Agency (MFA)
- Both 9% and 4% credits available
- 4% credits are “as of right” with the use of tax-exempt bonds
- 9% credits are competitive
- For 9% LIHTC, states receive a finite allocation of tax credits each year, allocated on a per capita basis (approx. \$5.8M per year in NM)



# Low-Income Housing Tax Credits

- Calculated based on the production of rental units serving residents earning no more than 80% of area median income (AMI), with a focus on those earning no more than 60% of AMI
- Projects must continue to serve low-income residents for a minimum of 30 years
- Investors also derive tax benefits from losses
- Credits may be recaptured by the IRS if the project does not comply in the first 15 years (Compliance Period)

# Low-Income Housing Tax Credits Process



# Low-Income Housing Tax Credit Process



# Affordable versus Market Rate Development

Somewhat comparable hard construction costs although market rate projects have more flexibility in construction scope.

Affordable deals have additional soft costs (i.e., developer fee, legal and accounting fees, certain financing costs and project reserves) due to regulatory and compliance requirements.

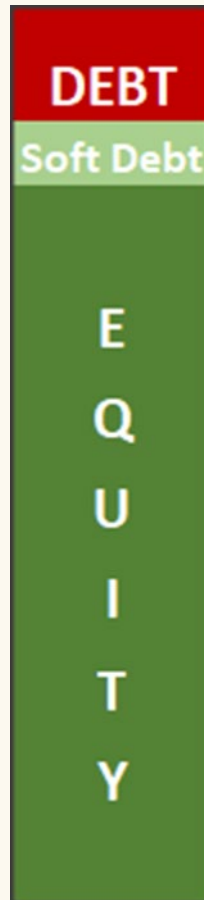
Market rate: structured to generate cash flow as rents increase and property appreciation generates gain at disposition.

Affordable: restricted rents and market result in limited or no cash flow and long-term affordability restricts upside at disposition

# Affordable versus Market Rate Development



Market Rate



9% LIHTC

*Less debt allows the Owner to charge lower rents to tenants.*



# Limited Partner Structure

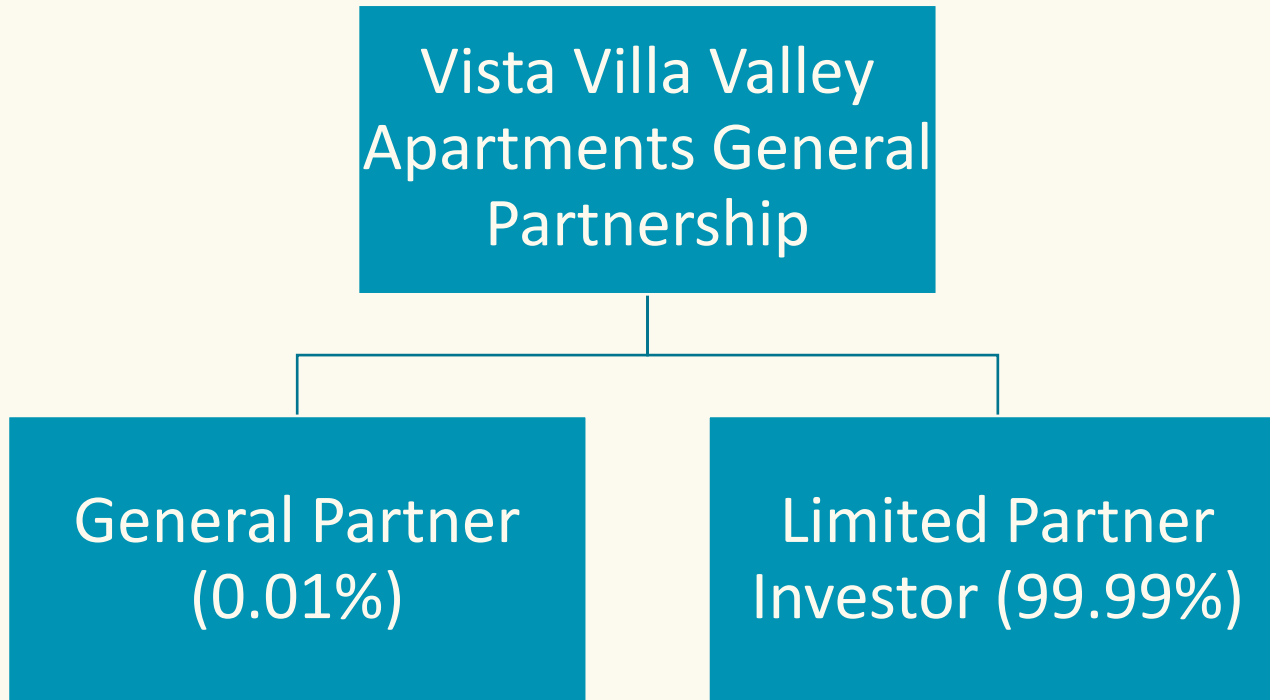
General Partner (GP) owns just 0.01% but controls and operates the project;

Passive limited partner (LP) invests equity in return for 99.99% ownership;

Sale to investor LP of most of credits and tax losses maximizes investor equity;

More investor equity reduces other financing needs.

# Limited Partner Structure



# Team Members

## **Development Team**

Developer

General Contractor

Architect

Attorney

Accountant

Property Manager

Consultant(s)

## **Lenders**

Construction lender

Permanent lender(s)

Lender attorneys

## **Syndicator**

Underwriter

Fund Manager

Attorney

## **State HFA (MFA)**



# Investor Risks and Benefits

Market Risk: ability to effectively assess market for development and remain competitive in the market throughout the affordability period.

Construction and lease-up risk: units must be completed and rented to specified residents to claim Credits.

Tax risk: recapture of Credits taken in prior tax years and ability to claim future Credits due to project noncompliance.

Tax benefits: 10-year stream of tax credits + depreciation and losses.

Social benefits: social responsibility

Other benefits: portfolio diversification

# Development Requirements

- Minimum percentage of LIHTC units (20/50, 40/60, or Average Income).
- Maximum rents limited for LIHTC units.
- Minimum 30-year affordability commitment per Code
- Credits cannot exceed amount necessary for financial feasibility
- Developments must satisfy state QAP
- Market study required
- Projects subject to IRS and state regulation oversight

# Affordability Commitment

## 30-year Affordability Commitment per Code

- 15-year Compliance Period
- At least 15-year Extended Use Period

Land Use Restriction Agreement (LURA) - extended use agreement

Early termination of 30-year affordability commitment:

- Foreclosure
- Qualified Contract (not an option in NM)

# Income and Rent Restrictions

Minimum Set-Aside election of:

- 20% of units at 50% of area median gross income (AGMI or AMI), or
- 40% of units at 60% of AMI
- Average of the low-income units at or below 60%, but units can serve up to 80%

Must meet minimum set aside by end of first Credit year.

Gross rent cannot exceed 30% of qualifying income for an assumed family size (based on number of bedrooms).

Income/rent limits change annually; HUD publishes income and rent limits (posted on MFA website).

Gross rent must include an allowance for tenant paid utilities.

Gross rent does not include Section 8 or similar subsidy.

# Income and Rent Restrictions

Area Median Income = \$86,500 (ABQ, 2023)

2 bedroom unit: assumed family size of 3 persons (2 bedrooms x 1.5 persons per bedroom)

60% of Area Median Income:

3 person income limit = \$43,200

30% of income limit = \$12,960

Monthly gross rent (1/12) = \$1,080

## POP QUIZ

Q: In contrast to market rate properties, affordable housing developer/owners...

- a) can generate income from the property's cash flow for the long term;
- b) take a large up-front fee to cover costs;
- c) both a) and b)

# POP QUIZ

Q: In contrast to market rate properties, affordable housing developer/owners...

- a) can generate income from the property's cash flow for the long term;
- b) take a large up-front fee to cover costs;
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# Low-Income Housing Tax Credits Rates

## 9% Credits:

- ~70% present value
- Subject to MFA's Credit ceiling and competitive tax credit "round"
- Used for new construction and substantial rehab if building is not "federally subsidized" (which means financed by tax-exempt bonds)
- Credit rate is "not less than 9%" per PATH Act of 2015

# Low-Income Housing Tax Credits Rates

## 4% Credits:

- ~30% present value
- Applies to acquisition costs of a building
- “As of right” for new construction or rehab projects using tax exempt bond financing
- Subject to award of private activity bond volume cap from NM State Board of Finance
- Credit rate is not less than 4% per the Consolidated Appropriations Act, 2021

# Low-Income Housing Tax Credits Rates

	New Construction	Acquisition/ Rehabilitation
Not “Federally Subsidized” (not using volume-cap bond debt)	9%	4%/9%
“Federally Subsidized” volume-cap bond debt	4%	4%/4%

# Tax-Exempt Bonds and 4% Credits

- Projects financed (whether new construction or rehab) with volume cap bonds are eligible for 4% credits only.
- Not subject to MFA's rigorous tax credit "round" but still must follow QAP and application requirements.
- Rolling applications.
- Not subject to carryover allocation and 10% test requirements.
- 50% test: bond amount must exceed 50% of depreciable basis plus land.

# Tax-Exempt Bonds and 4% Credits

Bond deals are subject to additional rules regarding the tax-exempt status of the bonds:

- Requires allocation of State private activity bond volume cap.
- Public hearing or “TEFRA” requirement- must conduct a public hearing and provide notice by publishing 7 days prior to the hearing.
- Inducement Resolution and Bond Resolution
- Costs of issuance limitation
- Good costs vs. bad costs

# 4% Acquisition Credits

- The 4% acquisition credit is used when an owner purchases an existing building that qualifies as a substantial rehab and satisfies the 10-year rule (if applicable).
- “Basis boost” is not available for acquisition credits (more later on boost)
- Computing acquisition basis - cost of building including acquisition-related costs
- If not 100% low income, only low-income percentage of cost can qualify

## POP QUIZ

Q: True or false, 9% credits can be used for new construction projects OR acquisition or rehabilitation project costs?

## POP QUIZ

Q: True or false, 9% credits can be used for new construction projects OR acquisition or rehabilitation project costs?

A: FALSE (only 4% credits can be used for acquisition project costs)



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# Low-Income Housing Tax Credits Basis

## Costs excluded from eligible basis

- Land
- Off-site work
- Interest payable on permanent loans
- Insurance and property tax expenses incurred following construction completion
- Application fees
- Origination/discount points
- Title fees
- Legal fees
- Reserves
- Syndication fees
- Federal grants
- Post-construction working capital

## Eligible basis costs

- Construction costs on-site
- Professional fees
- Construction period financing fees
- Developer fees

# Low-Income Housing Tax Credits Boost

30% increase (“boost”) to eligible basis for new construction and rehabilitation costs only (acquisition costs not eligible).

<b>Not “Federally Subsidized” (not using volume-cap bond debt)</b>	<b>HUD designated QCT, DDA or SADDA <i>OR</i> those that serve a target population and have a need for financial feasibility</b>
<b>“Federally Subsidized” volume-cap bond debt</b>	<b>HUD designated QCT, DDA or SADDA</b>

# Qualified Basis

Qualified Basis: Adjusted Eligible Basis for non-income qualified resident using “Applicable Fraction”, which is the lesser of:

- The number of qualifying rent-paying residential units over the total number of rent-paying residential units, OR
- The square footage of qualifying rent-paying residential units over the total square footage of rent-paying residential units

# Low-Income Housing Tax Credits Example – New Construction

Credit by Basis	
Eligible Basis	\$10,000,000
Exclusions*	
Eligible Basis	\$10,000,000
QCT/DDA Boost	130%
Adjusted Basis	\$13,000,000
App Fraction	100%
Qualified Basis	\$13,000,000
Applicable %	9.00%
Annual Credit	\$1,170,000
x 10 years	\$11,700,000
Investor Portion	99.99%
	\$11,698,830
Price per Credit	\$0.88
Credit Proceeds	\$10,294,970

# Low-Income Housing POP QUIZ

1. What is the **Tax Credit Award** amount?

2. What is the **Equity** generated for the project?

Credit by Basis	
Eligible Basis	\$10,000,000
Exclusions*	
Eligible Basis	\$10,000,000
QCT/DDA Boost	130.0000%
Adjusted Basis	\$13,000,000
App Fraction	100%
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x 10 years	\$11,700,000
Investor Portion	99.99%
	\$11,698,830
Price per Credit	\$0.88
Credit Proceeds	\$10,294,970

# Low-Income Home Energy Assistance Program

## POP QUIZ

Credit by Basis	
Eligible Basis	\$10,000,000
Exclusions*	
Eligible Basis	\$10,000,000
QCT/DDA Boost	130.0000%
Adjusted Basis	\$13,000,000
App Fraction	100%
Qualified Basis	\$13,000,000
Applicable %	9.00%
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← Award

← Equity

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# Low-Income Housing Tax Credits Example – Acquisition / Rehabilitation

Acquisition Credit by Basis	
Eligible Basis	\$2,000,000
Exclusions*	
Eligible Basis	\$2,000,000
QCT/DDA Boost	100%
Adjusted Basis	\$2,000,000
App Fraction	100%
Qualified Basis	\$2,000,000
Applicable %	4.00%
Annual Credit	\$80,000
x 10 years	\$800,000
Investor Portion	99.99%
	\$799,920
Price per Credit	\$0.88
Credit Proceeds	\$703,930

Rehabilitation Credit by Basis	
Eligible Basis	\$10,000,000
Exclusions*	
Eligible Basis	\$10,000,000
QCT/DDA Boost	130%
Adjusted Basis	\$13,000,000
App Fraction	100%
Qualified Basis	\$13,000,000
Applicable %	9.00%
Annual Credit	\$1,170,000
x 10 years	\$11,700,000
Investor Portion	99.99%
	\$11,698,830
Price per Credit	\$0.88
Credit Proceeds	\$10,294,970

**Combined Annual Credit (Award): \$1,250,000**  
**Combined Credit Proceeds (Equity): \$10,998,900**

# Maximum Debt Supportable

100-unit project	
Gross Potential Income	\$900,000
Less: Vacancy (7%)	(\$63,000)
Effective Gross Income	\$837,000
Less: Expenses per unit per annum (PUPA)	(\$470,000)
Less: Replacement Reserves (PUPA)	(\$30,000)
Net Operating Income	\$337,000
Divide by Required Debt Coverage Ratio (1.20)	\$280,833
Divide by Debt Constant (0.07657744; 6.5% interest, 30-year amortization)	\$3,667,307

# Gap Estimation

100-unit project	
Total Development Costs	\$16,000,000
Less: Tax Credit Equity	(\$10,998,900)
	\$5,001,100
Less: Estimated First Mortgage	(\$3,667,307)
Gap	\$1,333,793

# Gap Financing

## **Government Sources:**

- Soft Mortgage Debt
- HOME
- CDBG
- National Housing Trust Fund

## **Private Sources:**

- Better 1<sup>st</sup> mortgage terms
- FHLB Affordable Housing Program

## **Project/Developer Sources:**

- Deferred Developer Fee
- Reduce Acquisition Cost
- General Partner Loan or Equity

# 2023 LIHTC Gap Funding

Program	Type	Contact Information
542(c)Risk Share	Construction/ Permanent	Tim Martinez <a href="mailto:tmartinez@housingnm.org">tmartinez@housingnm.org</a>
HOME	Construction/ Permanent	Jacobo Martinez <a href="mailto:jmartinez1@housingnm.org">jmartinez1@housingnm.org</a>
HOME-CHDO Set-Aside	Construction/ Permanent	Jacobo Martinez <a href="mailto:jmartinez1@housingnm.org">jmartinez1@housingnm.org</a>
National Housing Trust Fund (NHTF)	Construction/ Permanent	Jacobo Martinez <a href="mailto:jmartinez1@housingnm.org">jmartinez1@housingnm.org</a>
NM Housing Trust Fund (NMHTF)	Construction/ Permanent	Tim Martinez <a href="mailto:tmartinez@housingnm.org">tmartinez@housingnm.org</a>
Primero Loans	Predevelopment/ Construction	Jacobo Martinez <a href="mailto:jmartinez1@housingnm.org">jmartinez1@housingnm.org</a>

## POP QUIZ

Q: What is the required debt service coverage ratio that MFA underwrites to?

- a) 1.20
- b) 1.10
- c) 1.15

## POP QUIZ

Q: What is the required debt service coverage ratio that MFA underwrites to?

a) 1.20

b) 1.10

c) 1.15

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# Qualified Allocation Plan Development

- Gather input and notes all year, hold focus groups
- Start in earnest once awards announced (May)
- One-year cycle
- Internal approval, then published draft and public comment period (August - September)
- Board approval, final draft published (October)
- Sent to Governor for final approval (November)

# Qualified Allocation Plan

The Code sets forth minimum criteria for inclusion in QAP:

- project location
- housing needs characteristics
- project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan
- sponsor characteristics
- tenant populations with special housing needs
- public housing waiting lists
- tenant populations of individuals with children
- projects intended for eventual tenant ownership
- the energy efficiency of the project
- the historic nature of the project

# Code Requirements

Housing Credit Agencies (HCA) must make tax credit allocations pursuant to a QAP that

- Defines Project Selection Criteria;
- Gives preference to Projects serving the neediest tenants, for the longest time period, in a QCT with a concerted community revitalization plan; and
- Defines procedures for compliance monitoring.

Code includes the above minimum criteria and grants the HCA broad discretion beyond that. The QAP is to reflect the HCA's housing priorities.

# Code Requirements for Affordability

Projects choose one of three minimum set-asides:

- At least 20% of units set-aside for households at or below 50% area median income (AMI)
- At least 40% of units set-aside for households at or below 60% AMI
- Average Income – can serve households up to 80% AMI as long as at least 40% of total units are rent and income restricted, and the average income for all tax credit units in the project is at or below 60% AMI

# MFA Housing Priorities

1. Levels of affordability in excess of the minimum requirements, through one or more of the following:
  - a) Higher numbers of set-aside units; and/or
  - b) Rents set to serve lower income tenants, for example, tenants earning no more than 40 percent or 30 percent of median income; and/or
  - c) Extended Use Periods longer than the 30-year minimum.
2. Provision of affordable housing to households on public housing waiting lists;
3. Maximizing leverage by obtaining other public or private non-equity program resources;
4. An equitable distribution of tax credits throughout all parts of the state where affordable housing is needed;
5. Provision of housing to serve documented Senior Households, Permanent Supportive units; and Tribal communities;
6. Nonprofit development;
7. Production of housing with high quality design and construction;
8. Production of projects that are located in QCTs and which projects contribute to the development of a Concerted Community Revitalization Plan;
9. Provision of housing that is energy efficient; and
10. Efficient use of scarce resources including tax credits, measured through lower development costs or other means.

# NM QAP Allocation Set-asides

A certain percentage of the annual credit ceiling set-aside for the following:

- 10% for qualified nonprofits as defined in the IRS Code (if not enough projects under this set-aside, cannot allocate to other projects)
- 20% for Underserved Populations: Permanent Supportive Housing and/or projects located within Tribal Trust Lands boundaries (if not enough eligible projects, can allocate to other projects)

# NM QAP Scoring Criteria

The board approved 2023 NM QAP had a total of 126 points available, with a minimum required score of 53.

There are 21 scoring criteria reflecting MFA's Housing Priorities:

1. Local Non-profit
2. Locational Efficiency
3. Rehabilitation Projects
4. Sustaining Affordability
5. Income Levels of Tenants
6. Market Rate Units
7. Extended Use Period
8. Special Needs Households
9. Senior Households
10. Households with Children
11. Leveraging Resources
12. Complete Application
13. Public Housing Authority Waitlist
14. QCT/ Community Revitalization Plan
15. Eventual Tenant Ownership
16. Historical Significance
17. Blighted Buildings/Brownfields
18. Efficient Use of Tax Credits
19. Non-Smoking Properties
20. Adaptive Reuse Projects
21. Other Scoring Points

# Mandatory Design Standards

- Separate sections for new construction, rehab and special projects (i.e., single room occupancy and adaptive reuse).
- Sub-sections on general design, site design and development, building design and construction, unit design.
- Updated yearly and posted on MFA's website.
- MFA involvement



# Application Process

- 9% Credits: one competitive “round” per year; applications due no later than 1/22/2024 at noon.
- 4% Credits: rolling applications
  - Intent to Submit 30 days prior
- Application Attachments Checklist (not intended to be an exhaustive list).
- Use latest MFA schedules
- Refer to FAQ's
- All documents are posted on MFA's website:

<http://www.housingnm.org/developers/lihtc/current-and-prior-tax-credit-rounds>

## POP QUIZ

Q: True or false, “low-income” units are those at or below 60% of Area Median Income?

## POP QUIZ

Q: True or false, “low-income” units are those at or below 60% of Area Median Income?

A: FALSE (projects that utilize the Average Income set-aside can have units that serve 80% AMI residents or below, as long as the average of all low-income units is at or below 60% AMI)

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# Financial Feasibility

- Credit cannot exceed amount MFA determines is necessary for financial feasibility and long-term viability as low-income housing.
- MFA must consider:
  - All sources and uses of funds;
  - Equity from Credits; and
  - Reasonableness of development and operating costs.
- Evaluation occurs three times (application, carryover allocation, completion/8609's).
- Underwriting supplement updated and posted- there are limits on developer and builder fees, operating expense projections, reserve requirements

# Threshold Items for Application

- Site control
  - legally enforceable purchase contract or purchase option, or
  - written governmental commitment to transfer or convey the property to applicant by deed or lease (“transfer commitment”), or
  - Recorded deed or recorded lease
- Zoning
- Fees
- Market Study
- Applicant eligibility
- Financial Feasibility
- Pre-Application Requirements (Intent/QAP Training)

# Scoring

- The board approved 2024 NM QAP has a total of 126 points available, with a minimum required score of 53 (4% applications are not scored but have minimum requirements)
- Applicant self-scores
- MFA scores
- Deficiency correction process (impacts complete application score)
- Highly competitive - tie breaker process
- Two tracks (new construction and rehab)

# Award Process

- Applications due in January
- Each application is reviewed by multiple staff members from both the Asset Management and Housing Development departments for both completeness and scoring
- The Tax Credit Program Manager and Analyst review each application for financial feasibility and threshold requirements (site control, zoning, fees paid, compliance etc.)



# Award Process (continued)

- The Policy Committee reviews staff work and following their approval deficiency corrections and supplemental information requests are sent out
- Staff make site visits to all top scoring projects
- Process and proposed awards are presented to the Allocation Review Committee (ARC)
- Preliminary Award letters are sent out (March)
- ARC presents recommendations to the Board for approval (May)
- Final Reservation Award letters are sent out

# Subsequent Requirements

- Project must place-in-service or receive a carryover award by the end of the allocation year (all projects apply for carryover)
- Requirements for carryover include:
  - Full financing commitments
  - Full zoning (if land had no zoning/agricultural at application)
- 10% Test – MFA deadline August 31<sup>st</sup> the following year
  - Project must prove that they have spent 10% of eligible basis costs
- Two years following carryover, the project must place-in-service and a LURA will be issued, memorializing the requirements agreed upon in the application.
- IRS Form 8609 is the document that the project will use to utilize the tax credit from the IRS. It is the final piece to the allocation of credits, and what the investor is most interested in receiving.

# Compliance

- Compliance period, extended use period
- Lots of recordkeeping requirements
- Compliance handled by MFA Asset Management department
- Basic rules of compliance:
  - Don't rent LIHTC units to over-income tenants
  - Don't charge low-income families too much rent
  - Don't allow the property to fall into disrepair
  - Comply with your LURA

# Rent Limits

2022 HOUSING CREDIT INCOME LIMITS AND MAXIMUM RENTS										
Albuquerque MSA (Bernalillo, Sandoval, Torrance and Valencia Counties)										
For all Placed in Service Properties										
Median Income \$77,100										
FY2022 Income Limits & Rents	# in Hshld	1	2	3	4	5	6	7	8	
	20%	10,580	12,080	13,600	15,100	16,320	17,520	18,740	19,940	
	30%	15,870	18,120	20,400	22,650	24,480	26,280	28,110	29,910	
	40%	21,160	24,160	27,200	30,200	32,640	35,040	37,480	39,880	
	50%	26,450	30,200	34,000	37,750	40,800	43,800	46,850	49,850	
	60%	31,740	36,240	40,800	45,300	48,960	52,560	56,220	59,820	
	70%	37,030	42,280	47,600	52,850	57,120	61,320	65,590	69,790	
	80%	42,320	48,320	54,400	60,400	65,280	70,080	74,960	79,760	
	Maximum Gross Rents by Bedroom Size									
	0	1	2	3	4	5				
20%	264	283	340	392	438	483				
30%	396	424	510	589						
40%	529	566	680	785						
50%	661	708	850	981						
60%	793	849	1,020	1,178						
70%	925	991	1,190	1,374						
80%	1,058	1,133	1,360	1,571						

- Check Location – the right schedule
- Check date of Income/Rent Schedule
- Rent matches Income/Rent Schedule

	Restricted Units at		50% of M
Number BR/Unit Type <sup>(3)</sup>	2-BR	3-BR	
Net Sq. Ft./Unit	900	1,200	
Number of Units	20	21	
Gross Monthly Rent/Unit <sup>(1)</sup>	850	981	
Minus: Utility Allowance	93	114	
Net Monthly Rent/Unit	757	867	
Annual Rental Income (All Units)	181,680	218,484	

# Rent Limits

## HAP Contract

### Rent Schedule Low Rent Housing

**U.S. Department of Housing  
and Urban Development**  
Office of Housing  
Federal Housing Commissioner

OMB Approval No. 2502-0012  
(exp. 11/30/2020)

See page 3 for Instructions, Public Burden Statement and Privacy Act requirements.

Project Name	FHA Project Number	Date Rents Will Be Effective (mm/dd/yyyy)
	N/A	10/01/2022

#### Part A – Apartment Rents

Show the actual rents you intend to charge, even if the total of these rents is less than the Maximum Allowable Monthly Rent Potential.

Col. 1 Unit Type  (Include Non-revenue Producing Units)	Col. 2 Number of Units	Contract Rents		Col. 5 Utility Allowances  (Effective Date (mm/dd/yyyy) _ / _ / _)	Col. 6 Gross Rent (Col. 3 + Col. 5)	Market Rents (Sec. 236 Projects Only)	
		Col. 3 Rent Per Unit	Col. 4 Monthly Contract Rent Potential (Col. 2 x Col. 3)			Col. 7 Rent Per Unit	Col. 8 Monthly Market Rent Potential (Col. 2 x Col. 7)
1 BR	16	835	13,360		835		0
2 BR	8	1,025	8,200		1,025		0
3 BR	36	1,133	40,788		1,133		0
4 BR	15	1,274	19,110		1,274		0

Insert Rents and UA from HAP Contract  
Into Schedule B

No rent overhang on Schedule C

	Restricted Units at		50% of Median Income	
	1-BR RA	2-BR RA	3-BR RA	4-BR RA
Number BR/Unit Type <sup>(3)</sup>				
Net Sq. Ft./Unit	650	900	1,200	1,400
Number of Units	16	8	36	15
Gross Monthly Rent/Unit <sup>(1)</sup>	835	1,025	1,133	1,274
Minus: Utility Allowance				
Net Monthly Rent/Unit	835	1,025	1,133	1,274
Annual Rental Income (All Units)	160,320	98,400	489,456	229,320

# Utility Allowance

EFFECTIVE DATE: 1/1/2022							
Albuquerque Housing Authority Section 8 Monthly Utility Allowances for Tenant Furnished Utilities and Other Services							
Multi-Family (High-Rise/Apartment/Row House/ Townhouse/Semi-Detached /Duplex)							
		0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom
Heating							
	Nat Gas	18	21	23	27	30	33
	Electric	14	17	22	28	33	39
	Botl Gas	67	85	90	102	114	130
	Elec Pmp	13	15	17	20	22	24
Air Cond.							
	Electric	6	7	9	12	15	17
Cooking							
	Nat Gas	2	3	4	6	7	9
	Electric	5	5	8	10	12	15
	Botl Gas	8	12	16	20	28	35
Other Elec/Light							
	Electric	17	20	27	35	43	51
Water Heater							
	Nat Gas	6	7	10	13	16	19
	Electric	11	13	16	20	24	27
	Botl Gas	20	28	39	51	59	75
Water							
	Water	26	28	33	37	41	46
Sewer							
	Sewer	19	21	24	28	31	35
Trash Collection							
	Trash	18	18	18	18	18	18
Range							
		11	11	11	11	11	11
Refrigerator							
		12	12	12	12	12	12
System Charge							
	Gas	13	13	13	13	13	13
	Electric	8	8	8	8	8	8

How much is my utility allowance for a 1-bedroom unit with:

- Electric Heat
- Air conditioning
- Natural Gas Stove
- Natural Gas Hot Water Heater



# POP QUIZ

Q: In order to qualify for scoring, all 4% and 9% applications/projects must have which of the following?

- a) Zoning
- b) Site control
- c) All fees paid (both for application and prior project monitoring fees)
- d) Construction drawings
- e) Developer must be in compliance with MFA

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# LIHTC Development Fundamentals

Training Workshop – October 19, 2023

1

Overview of Development Process & Low-Income Housing Tax Credit Program

2

Understanding 4% and 9% Credits

3

Basis and Credit Calculation

4

Financing a Sample Project

5

Qualified Allocation Plan (QAP)

6

Evaluating Projects, Subsequent Awards, and Compliance

7

Questions

# Questions

