

Attachment B: Feasibility Guidelines

Homeownership Project Development Budget and Homeownership Initiatives Households

TABLE 1. FEASIBILITY GUIDELINES FOR HOMEOWNERSHIP PROJECT CRITERIA

CRITERION	FEASIBILITY GUIDELINES
Construction/Rehabilitation Costs	<p>Construction/rehab costs per square foot should not exceed average cost per square foot by locality and unit type using industry construction cost data through RS Means Company.</p> <p>Based on calculation: New construction/rehabilitation + infrastructure & site work + general requirements, profit and overhead + construction contingency / gross building square footage.</p>
Architect Fees	Architect Fees, including design and supervision fees, must be limited to 4% of the total hard costs plus site work, general requirements/profit/overhead and hard construction contingency.
Household's monthly housing expense, including principal, interest, taxes, insurance and homeowner's dues as % of gross income at application	May not exceed 40%
Mortgage Loan Rate (Homeownership Initiatives only)	Market rates for loans of similar maturity, terms and risk
Mortgage Loan Term/Amortization (Homeownership Initiatives only)	Minimum 5-year mortgage term/15-year amortization
Developer Fee (competitive AHP only) Payment to the sponsor of developer fee is an eligible use of AHP; however, developer fee may be disbursed only at the conclusion of the development when all homes have been sold and total development costs have been validated. Developer fee may not exceed 15%.	<p>New Construction and Rehab – 15% based on calculation:</p> <p>Developer fee + consultant fee ÷ (Total development costs – developer fee – consultant fee – land and/or building acquisition)</p>

Construction Contingency (Competitive AHP only)	New construction: 10% of hard costs Rehabilitation: 20% of hard costs
Construction – Hard Costs (% of total development costs) (Competitive AHP only)	70% minimum

Use of AHP Subsidy for Rehabilitation of Existing Owner-Occupied Housing:

Conditions and Requirements:

To determine cost reasonableness, a project must complete one of the following:

- Obtain at least two independent, third-party bids.
- Where the sponsor, co-sponsor, developer or an affiliate thereof acts as the general contractor, the rehabilitation costs must be validated by an independent third party, which may include but is not limited to, the project's architect or engineer.
- The maximum allowable AHP subsidy per house is **\$25,000**.
- The demand for the proposed owner-occupied rehabilitation units will be demonstrated through a waiting list of qualified homeowners and a detailed narrative of the process to identify qualified homeowners.
- Permitted rehabilitation/replacement items are restricted to those specified in the Revive – Home Repair Grant as detailed in [Section 13](#) of this 2026 Implementation Plan, as well as flooring, foundation, plumbing and electrical repairs.
- Ineligible rehabilitation/replacement items include luxury items, room additions, general cosmetic or remodeling type improvements and improvements that do not become a permanent part of the property.
- If homeowners are going to be temporarily displaced from housing, provisions must be made for housing accommodation during the work.

Use of AHP Subsidy for Down Payment Assistance and Closing Costs:

Conditions and Requirements:

- AHP subsidy per household may not exceed 20% of the purchase price of the proposed property.
- Purchase price must be supported by an appraisal completed not more than 90 days in advance of closing.

In cases where a loan is extended by a member, sponsor or other party to the project, and the AHP subsidy provided to that project is to write down the interest rate on the loan extended, the net present value of the interest foregone from making the loan below the lender's market interest rate shall be calculated as of the date the application for AHP is submitted to the Bank.

Rental Project Development Budget

TABLE 2. FEASIBILITY GUIDELINES FOR RENTAL PROJECT CRITERIA

CRITERION	FEASIBILITY GUIDELINES
Construction/Rehabilitation Costs	<p>Construction/rehab costs per square foot should not exceed average cost per square foot by locality and unit type using industry construction cost data through RS Means Company.</p> <p>Based on calculation: New construction/rehabilitation + infrastructure & site work + general requirements, profit and overhead + construction contingency / gross building square footage.</p>
Architect Fees	<p>Architect Fees, including design and supervision fees, must be limited to 4% of the total hard costs plus site work, general requirements/profit/overhead and hard construction contingency.</p>
<p>Developer Fee</p> <p>Only LIHTC and HUD 202/811* financed developments may use deferred fee as a source of funds. Any deferred fee loan must be repaid from cash flow by year 15. (See additional notation below)</p> <p>*Requires written approval from HUD to defer any portion of the developer fee.</p>	<p>New construction and rehab – 15% based on calculation: (Developer fee + consultant fee) / (total development costs – developer fee – consultant fee- land acquisition costs- operating/supportive service reserves)</p> <p>Total developer, guaranty and consultant fees may not exceed \$1,800,000 or maximum established by state HFA in which the development is located if the development qualifies for state-administered program.</p>
<p>Contractor Cost Limits</p> <p>(See notation below regarding Construction Management)</p>	<p>The combined total of contractor profit, overhead and general requirements shall be limited to 14% of hard construction costs.</p> <p>Calculation: Total Contractor Profit / (Total construction cost - contractor profit, overhead and general requirements)</p>
<p>Hard Cost Construction Contingencies</p> <p>Note: The Bank has no soft cost contingency allowance.</p>	<p>New construction: 10% of hard construction costs Rehabilitation: 15% of hard construction costs Historic rehabilitation and/or adaptive reuse: 20%</p>

	Or consistent with the state HFA, USDA or HUD guidelines in which the development is located.
Tax Credit Proceeds	\$0.70 minimum
Operating Reserves (Capitalized) (Requires non-AHP funding sources)	The greater of (1) four months of project expenses including operating expenses, debt service payments and replacement reserve payments or (2) \$1,500 per unit.
Supportive Services Reserves (Capitalized)	The Bank will consider exceptions to these guidelines on a case-by-case basis to include: 1) Another funding source has affordability restrictions that extend beyond the AHP 15-year retention period; 2) Higher level of reserves required by another funder who is providing financial sources to the deal; or 3) Based on certain elements of a deal such as a project reserving 51% or more of the units to households at or below 30% of AMI.
Construction – Hard Costs (% of total development costs)	Recommended (but not required) for projects that provide 80% or more of the units with extensive supportive services to special needs consumers. (Note: AHP subsidy may not be used to fund project debt service, operating, replacement or supportive services reserves.)
Note: If project involves acquisition with little or no rehabilitation, acquisition costs may be considered hard costs.	70% minimum

Developer Fee/Deferred Developer Fee

Applicant/sponsor must include a statement disclosing each entity/individual receiving a portion of the Development Fee along with the percentage or amount of the total fee each entity/individual will receive.

Projects funded with Low-Income Housing Tax Credit (LIHTC) may defer developer fee as a source of funds. On a case-by-case basis with the written approval by HUD, a HUD-financed project (HUD 202/811) may defer a portion of the developer fee as a source of funds.

Applicant/sponsor must describe the terms of the deferred repayment obligation to the development, including the interest rate proposed and the source of repayment.

Non-profit organizations shall include a resolution from the Board allowing such a deferred payment and interest obligation to the Development. A deferred Developer Fee Agreement evidencing the principal amount and terms of interest and repayment of any deferred repayment obligation must be submitted at project completion.

Sponsor Loans to Development (LIHTC-Funded)

The Bank allows the AHP subsidy to be loaned by the sponsor to ownership entity. Terms of such loans are generally subject to available cash flow and in an equivalent amount of the AHP subsidy. The terms of such loans may not exceed the applicable AFR in effect at the time the note is executed (generally not more than 3%). Further, interest on the note shall accrue throughout the term, but neither principal or interest may be paid, in whole or part, prior to the fulfillment of the 15-year AHP retention period. Such loan does not supersede repayment requirements detailed in the AHP Agreement.

Rental Project Operating Pro-Forma

TABLE 3. CRITERIA AND RANGES FOR RENTAL PROJECTS OPERATING PRO-FORMA

CRITERION	RANGE (TARGETS ARE MAXIMUMS FOR YEARS 1-15 OF PRO-FORMA)
First-year rents must equal total rents from the Rental Project Worksheet (at application). Rents may not exceed 30% of the targeted area median income.	Must be equal
Property Management Fees	Up to 10% of effective gross income or consistent with the state HFA, USDA or HUD guidelines in which the development is located for projects receiving that funding.
Replacement Reserves	Minimum contribution requirements are as follows: Rehabilitation: \$300 per unit per year New Construction: \$250 per unit per year Historic Rehabilitation: \$420 per unit per year Single Family Units: \$420 per unit per year, or <i>Consistent with State HFA, USDA or HUD guidelines where applicable.</i>
Inflation Factors	Income up to 2% annually Expenses 1-3% annually or 1-2% faster than income
Vacancy Rate	Up to 8% of total gross rents Up to 10% of effective gross income if supportive housing
Total Annual Operating Expense Per Unit	At least \$4,500 per unit/year, or

<p>Includes replacement reserve contributions but excludes debt service</p> <p>*See additional comments below</p>	<p>Consistent with the state HFA, USDA or HUD guidelines in which the development is located where applicable.</p>
<p>Debt Coverage Ratio (DCR)</p> <p>Debt obligations that are subject to repayment based upon available cash flow are considered soft loans and may not be included in the Debt Service line item of the 15-year Pro-forma</p>	<p>Projects with hard debt: Minimum 1.15 up to 1.45 maximum</p> <p>Projects without hard debt will not have a DCR. This will be calculated by a ratio of Effective Gross Income to Total Annual Expenses (excluding reserve for replacement)</p> <p>All projects require a minimum of 1.15 ratio every year (1-15) to be considered feasible by the Bank.</p> <p>Note: Tax abatement may cause the debt coverage ratio to be higher than these guidelines.</p>

**Exceptions will be considered on a well-documented, case-by-case basis.*