



**Rhode Island Housing**  
working together to bring you home

# **PROGRAM BULLETIN**

**PROGRAM BULLETIN .....SECTION 9**

## PROGRAM BULLETIN 2009 - 01

This Program Bulletin establishes a new Developer Fee policy. This new policy applies to all development proposals first presented to Rhode Island Housing on or after October 1, 2009.

The maximum Developer's Fee and overhead is calculated either (i) per unit or (ii) as a percentage of total development cost minus the value of any capitalized reserves and the Developer's Fee (the "Fee Based Development Cost"). Development consultant fees must be paid out of the approved Developer Fee. Developers should note that the percentages below represent the maximum fee that may be earned. Lower fees or deferred fees may be required depending on the amount and/or source of subordinate financing used by a Developer in a transaction.

**I. New Production with tax-exempt financing and 4% housing credits only**

- 15% of the Total Development Costs

**II. New Production with Additional Subsidy (9% housing tax credits and/or state or federal subsidies (other than 4% credits))**

- Scattered Sites: 0 to 2 bedroom units - \$19,000 per unit; 3 bedroom or greater - \$20,000 per unit.
- Single Site: 0 to 2 bedroom units - \$16,500 per unit; 3 bedroom or greater - \$18,000 per unit.

**III. Preservation with tax-exempt financing and 4% housing credits only.**

- 5% of acquisition and 10% of construction and soft costs not including new reserves and Developer's Fee. A minimum fee of \$500 per unit will be provided to a sponsor of a preservation transaction if substantial rehabilitation of units is involved.

Fees for development of commercial space as part of a Rhode Island Housing financed residential project will be negotiated on a case-by-case basis.



### Application Fee

9% tax credit proposals will be assessed a \$1,000 non-refundable application fee, payable upon application submission.

### Legal Fees

Rhode Island Housing reserves the right to require a legal fee be incorporated in the proforma to offset the cost of Rhode Island Housing's legal fees.

Management Fee Guidelines			
Project Size	Base Fee	Bookkeeping	Total
1 – 40 Units	6.5%	.5%	7.0%
41 – 60 Units	5.5%	.5%	6.0%
61+ Units	5.0%	.5%	5.5%

### Financing Fees

1st Mortgage		
2% of the first \$5,000,000; 1% thereafter		Upon closing
Deferred Payment Loan		
For-profit:	2% of Deferred Payment Loan	Upon closing
Non-profit:	1% of Deferred Payment Loan	Upon closing
The Deferred Payment Loan fee will be waived for projects receiving first mortgage financing from Rhode Island Housing. In general Deferred Payment Loans are not available to projects in which Rhode Island Housing is not the first mortgage lender.		
Tax Credit Allocation		
4% :	1.0% of 10-yr allocation	Upon closing
9% :	0.5% of 10-yr allocation	Upon closing

<b>Underwriting Fee</b>		
Combined Loan Amount	> 50%	< 50%
Up To \$1,000,000	\$2,500	\$5,000
Up To \$1,500,000	\$5,000	\$7,500
Up To \$2,000,000	\$7,500	\$10,000
Up To \$2,500,000	\$10,000	\$15,000
Up To \$3,000,000	\$15,000	\$20,000
Greater than \$3,000,000	\$25,000	\$35,000

Rhode Island Housing will charge an underwriting fee for the review of all 4% and 9% credit proposals based on whether the percentage of affordable units is greater than 50% or less than 50% of the total number of units. These underwriting fees will be applied toward Rhode Island Housing's origination fees if financing is provided by Rhode Island Housing. However, the underwriting fee will be charged if Rhode Island Housing is not the lender.

### Construction Fees

<b>General Contractor Fees</b>			
Construction Value	General Requirements (%)	Builder's Overhead (%)	Builder's Profit (%)
up to \$1 mil	8	2	9
\$1 to \$2 mil.	7	2	8
\$2 to \$3 mil	7	2	8
\$3 to \$4 mil	6	2	6
\$4 to \$5 mil	6	2	5 1/2
Over \$ 5 mil	6	2	5

Identity of Interest: For those developers where there is an identity of interest between the owner and general contractor, the maximum amount of builder's profit allowed is 50% of the amounts referenced above. Note also that for projects subject to Section 911 Subsidy Layering reviews, alternative general contractor fee limits may apply.

<b>Estimated Bond Premiums (a factor of construction cost)</b>
First \$100,000 equals \$25 per thousand
Next \$400,000 equals \$2,500 plus \$15 per thousand
Next \$2,000,000 equals \$8,500 plus \$10 per thousand
Next \$2,500,000 equals \$28,500 plus \$7.50 per thousand
There is typically a one percent surcharge on the total bond premium for each month exceeding one year.

### Architect

<b>Architectural Fees (including engineering fees)</b>	
High Rise	7 ½% of the total allowable construction cost including fees: 80% design, 20% construction administration
Low Rise Repetitive Design	6% of the total allowable construction cost including fees: 80% design, 20% construction administration
Rehab	7 ½% of the total allowable construction cost including fees: 80% design, 20% construction administration
	Refer to Underwriting Guidelines for calculation of total allowable construction cost; Architectural and Design Fees; Item 6

### Underwriting Rates

<b>Rates</b>
<p>Call lender for current Taxable and Tax-Exempt rates. For the 2012 LIHTC RFP, use 8.1% for taxable underwriting.</p>

<b>Operating Expense Ranges</b>	
Industry standards for 2011/12	\$6,700 to \$7,000 per unit per year
<p>Developers will be required to justify higher or lower costs by identifying and quantifying specific cost factors.</p>	

<b>Construction Cost Per Square Foot</b>	
Wood Frame	\$101 - \$107 per square foot
Load Bearing Masonry	\$117 - \$123 per square foot
Steel Frame	\$131 - \$138 per square foot
<p>In this Developer's Handbook, please refer to Section 3 Guidelines for Development/ Underwriting Guidelines/ Construction Cost/ Item 4</p>	

## Compliance Monitoring Updates

### TAX CREDIT COMPLIANCE MANUAL:

Available on our website at [www.rhodeislandhousing.org](http://www.rhodeislandhousing.org) under the link, For Business Partners/ Property Managers, then click on 'here' if you need to sign in. It is also available in Section 8 of the Developer's Handbook without the samples of the required forms.

### LEAD SAFE HOUSING RULE:

U.S. Department of Housing and Urban Development Office of Health Homes and Lead Hazard Control, Washington DC 20410 ([www.hud.gov/offices/lead](http://www.hud.gov/offices/lead)) Revised June 21, 2004. The Lead Safe Housing Rule applies to the Low-Income Housing Credit Program, when the HUD Uniform Physical Conditions Standards (UPCS) are used by the state housing agency for monitoring purposes.

### MANAGEMENT COMPLIANCE CERTIFICATION:

Owners of tax credit developments must certify that the management agent or a member of the on-site staff attends training for compliance in managing a tax credit project at least once annually. Certifications of training must be submitted to Rhode Island Housing by June 20 of each year.

### WAIVER 8877:

Revenue Procedure 2004 – 38: Effective July 6, 2004, New form and procedures for Waiver 8877 have been issued by the IRS.

### GUIDE FOR COMPLETING FORM 8823:

The IRS has issued the Guide for Completing Form 8823 Low-Income Housing Credit Agencies Report of Non-compliance or Building Disposition. Revised as of January 2007. The scope of this guide is limited to guidelines for preparing Form 8823 for submission to the IRS. Taxpayers are responsible for evaluating the tax consequences of noncompliance with IRC Section 42. The Guide is available on the IRS website. Please contact Kathy Millerick at 401-457-1241 if you have any questions.